

**TOWN OF SMITHTOWN, NEW YORK**  
**FINANCIAL STATEMENTS AND REQUIRED REPORTS**  
**December 31, 2020**  
**together with**  
**Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# TOWN OF SMITHTOWN, NEW YORK

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**INTRODUCTORY SECTION**

**TOWN OF SMITHTOWN, NEW YORK**  
**PRINCIPAL OFFICIALS**  
**DECEMBER 31, 2020**

**ELECTED OFFICIALS**

**TOWN BOARD:**

Supervisor  
Councilman / Deputy Supervisor  
Councilman  
Councilwoman  
Councilwoman

Edward R. Wehrheim  
Thomas J. McCarthy  
Thomas W. Lohmann  
Lisa M. Inzerillo  
Lynne C. Nowick

**TOWN CLERK**

Vincent Puleo

**RECEIVER OF TAXES**

Deanna Varricchio

**SUPERINTENDENT OF HIGHWAYS**

Robert Murphy

**APPOINTED OFFICIALS**

Town Assessor  
Town Attorney  
Town Comptroller  
Town Engineer

Peter D. Johnson  
Matthew Jakubowski  
Paul Rubano  
Mark Riley

## **FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**

August 19, 2021

To the Honorable Supervisor and Town Board of the  
Town of 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 (the Town), New York, as of and for the year ended December 31, 2020, 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.

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

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

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(Continued)

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### ***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 as of December 31, 2020 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.

### **Other Matters**

#### ***Change in Accounting Principle***

As discussed in Note 7 to the financial statements, in 2020 the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

#### ***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 total other postemployment benefits (OPEB) liability and related ratios, schedule of contributions – pension plan and schedule of proportionate share of the net pension liability 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.

(Continued)

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2021, 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.

# **TOWN OF SMITHTOWN, NEW YORK**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020**

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### **INTRODUCTION**

As management of the Town of Smithtown, New York (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2020. It should be read in conjunction with the basic financial statements, which immediately follow this section, to enhance understanding of the Town's financial performance.

### **USING THIS ANNUAL REPORT**

This annual report consists of a set of financial statements and notes. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a long-term view of the Town's finances. Fund financial statements begin thereafter. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year ended 2020 are as follows:

#### ***Government-Wide Financial Statements***

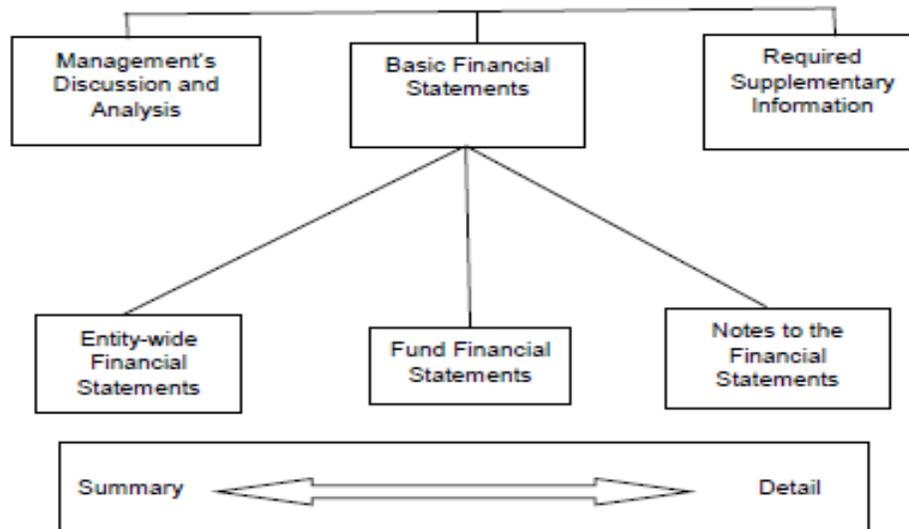
- The assets and deferred outflows of resources of the Town were below its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$131,548,977 primarily due to recording the projected full cost of Other Post employee Benefits (OPEB) – healthcare costs.

#### ***Fund Financial Statements***

- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$44,962,429 representing a decrease in fund balance of \$5,040,862 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,820,466, which is 30.4% of total General Fund expenditures for 2020; a decrease from the previous year of \$1,706,774.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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



## 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 *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. 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 fiscal periods (for example, earned but unused vacation leave, and other postemployment benefit obligations ("OPEB")).

The government-wide financial statements distinguish functions of the Town that are *governmental activities* (those principally supported by taxes and intergovernmental revenues). The governmental activities of the Town include general government support, public safety, health, transportation, economic opportunity and development, culture and recreation, home and community services, and interest.

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

## FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local 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

*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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, Highway Fund, Refuse and Garbage Fund, and Capital Projects Fund, which are considered to be major funds.

### Fiduciary Funds

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support Town programs. The Town maintains only one type of fiduciary fund that is known as a Custodial Fund. The Town holds resources in this fund purely in a custodial capacity. The activity in this fund is limited to the receipt, temporary investment, and remittance of resources to the appropriate individual, organization, or government.

The fiduciary fund financial statements can be found in the basic financial statements section of this report.

## NOTES TO 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 financial statements are located following the basic financial statements section of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

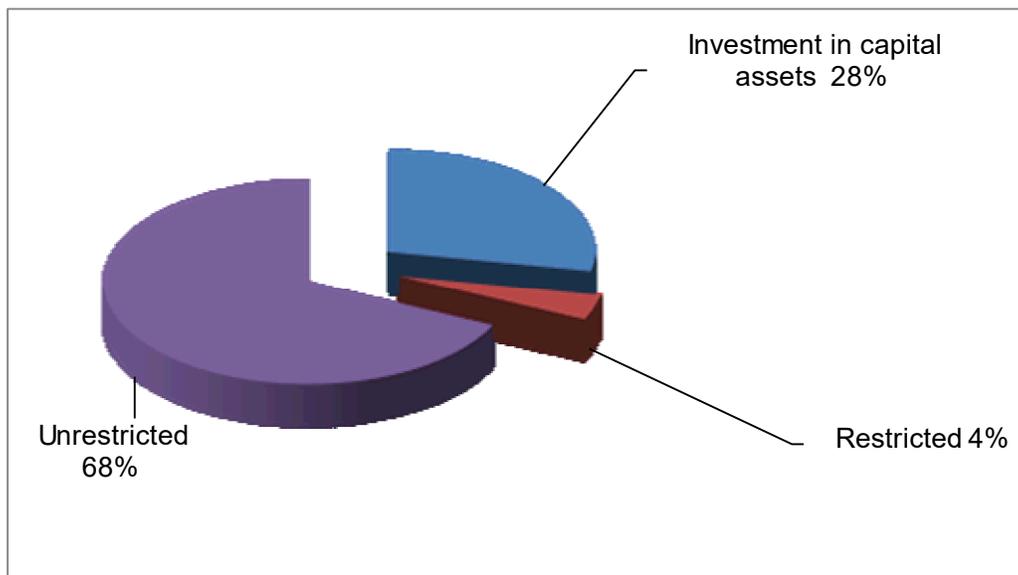
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Town, assets and deferred outflows of resources were below liabilities and deferred inflows of resources by \$131,548,977 at the close of 2020.

### NET POSITION

	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 58,410,093	\$ 61,227,479	\$ (2,817,386)	-4.6%
Capital assets, net	144,877,025	130,767,188	14,109,837	10.8%
Other non-current assets	<u>588,000</u>	<u>868,000</u>	<u>(280,000)</u>	-32.3%
Total assets	<u>203,875,118</u>	<u>192,862,667</u>	<u>11,012,451</u>	5.7%
Deferred outflows of resources	<u>48,326,375</u>	<u>30,684,102</u>	<u>17,642,273</u>	57.5%
Total assets and deferred outflows	<u>252,201,493</u>	<u>223,546,769</u>	<u>28,654,724</u>	12.8%
Liabilities:				
Current liabilities	18,973,659	16,070,215	2,903,444	18.1%
Non-current liabilities	<u>363,244,641</u>	<u>318,638,042</u>	<u>44,606,599</u>	14.0%
Total liabilities	<u>382,218,300</u>	<u>334,708,257</u>	<u>47,510,043</u>	14.2%
Deferred inflows of resources	<u>1,532,170</u>	<u>3,893,778</u>	<u>(2,361,608)</u>	-60.7%
Total liabilities and deferred inflows	<u>383,750,470</u>	<u>338,602,035</u>	<u>45,148,435</u>	13.3%
Net position				
Investment in capital assets	104,097,808	94,715,248	9,382,560	9.9%
Restricted	15,941,269	17,700,756	(1,759,487)	-9.9%
Permanent	307,734	306,344	1,390	0.5%
Unrestricted	<u>(251,895,788)</u>	<u>(227,777,614)</u>	<u>(24,118,174)</u>	10.6%
Total net position	<u><u>\$(131,548,977)</u></u>	<u><u>\$(115,055,266)</u></u>	<u><u>\$ (16,493,711)</u></u>	14.3%

## NET POSITION (CONTINUED)

### Net Position Distribution December 31, 2020



By far, the largest component of the Town's net position is its investment in capital assets (land improvements, building improvements, infrastructure, machinery and equipment and construction-in-progress). The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its 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 cannot 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 \$11,012,451, mainly due to an increase in capital assets of \$14,109,837. This was offset by a decrease in current assets of \$2,817,386 and a decrease in other non-current assets of \$ 280,000.

Deferred outflows of resources increased by \$17,642,273 due to an increase of \$3,307,248 in postemployment benefits healthcare costs and an increase of \$14,335,025 in pension related costs. See Note 3.D. for breakdown of deferred outflows of resources related to postemployment benefits healthcare costs and see Note 3.C. for breakdown of deferred outflows of resources related to pensions.

Restricted fund balance also decreased by \$1,759,487 mainly due to a decrease in funds restricted for capital reserves of \$1,607,611.

The total net position of the Town as of December 31, 2020 was a deficit of \$131,548,977, a decrease of \$16,493,711 from the prior year. Of the total net position, \$104,097,808 was the net investment in capital assets, while \$15,941,269 was restricted by statute or other specific purpose and \$251,895,788 was the unrestricted deficit.

## NET POSITION (Continued)

Total net position deficit was again increased in the current year by \$16,493,711 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 \$15,171,812 change in total liability, bringing the OPEB liability at year end to \$273,890,847 and the related deferred outflow of resources to \$26,179,255. Additional information on postemployment benefits healthcare costs can be found in Note 3.D to the financial statements.

In addition, the Town's share of the New York State Pension Plan net pension liability increased by \$21,824,757 due to changes in the actuarial valuation. Additional information on the Town's pension plan can be found in Note 3.C. to the financial statements.

### Change in Net Position

	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenue:</b>				
Program revenue:				
Charges for services	\$ 35,515,683	\$ 36,888,553	\$ (1,372,870)	-3.7%
Operating grants and contributions	2,646,107	1,829,290	816,817	44.7%
Capital grants and contributions	1,926,546	1,760,955	165,591	9.4%
General revenue:				
Real property taxes	59,011,251	57,034,129	1,977,122	3.5%
Other tax items	1,240,677	1,198,976	41,701	3.5%
Non-property tax items	2,707,939	2,804,631	(96,692)	-3.4%
Mortgage tax	6,785,882	4,438,112	2,347,770	52.9%
Use of money and property	662,192	1,360,055	(697,863)	-51.3%
Sale of property and compensation for loss	515,467	872,953	(357,486)	-41.0%
State aid	862,354	653,191	209,163	32.0%
Other	<u>1,583,911</u>	<u>1,856,158</u>	<u>(272,247)</u>	-14.7%
Total revenue	<u>113,458,009</u>	<u>110,697,003</u>	<u>2,761,006</u>	2.5%
<b>Expenses:</b>				
General support	26,906,614	25,944,705	961,909	3.7%
Public safety	11,701,577	12,280,271	(578,694)	-4.7%
Health	3,857,668	3,961,476	(103,808)	-2.6%
Transportation	40,314,864	35,628,529	4,686,335	13.2%
Economic assistance and opportunity	-	220	(220)	-100.0%
Culture and recreation	15,391,084	16,515,753	(1,124,669)	-6.8%
Home and community services	30,644,763	30,290,699	354,064	1.2%
Interest on debt	<u>1,135,150</u>	<u>825,982</u>	<u>309,168</u>	37.4%
Total expenses	<u>129,951,720</u>	<u>125,447,635</u>	<u>4,504,085</u>	3.6%
Change in Net Position	<u>\$(16,493,711)</u>	<u>\$(14,750,632)</u>	<u>\$ (1,743,079)</u>	11.8%

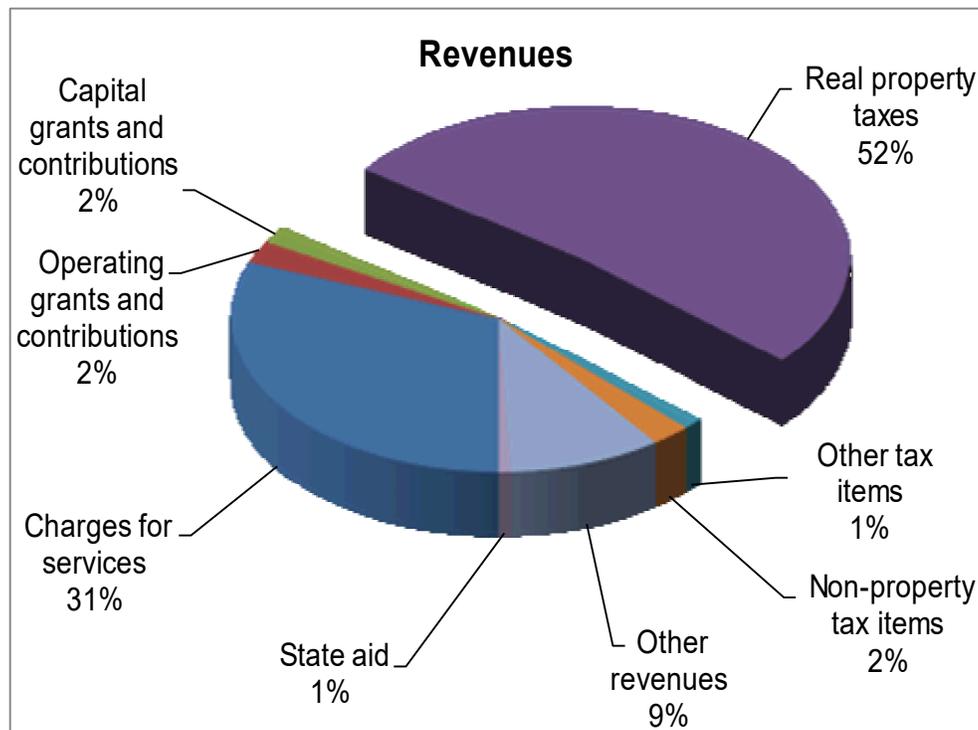
## GOVERNMENTAL ACTIVITIES

For the fiscal year ended December 31, 2020, revenues from governmental activities totaled \$113,458,009.

- Tax, other tax items and non-property taxes revenues totaling \$62,959,867 represent the largest revenue source (55.5%).
- The net increase of \$2,761,006 in total governmental activities revenues from the prior year is the result of a combination of the following significant factors:
  - Property taxes increased by approximately \$2.0 million
  - Mortgage tax increased by approximately \$2.3 million
  - Charges for service decreased by approximately \$1.4 million

## NET COST OF SERVICES:

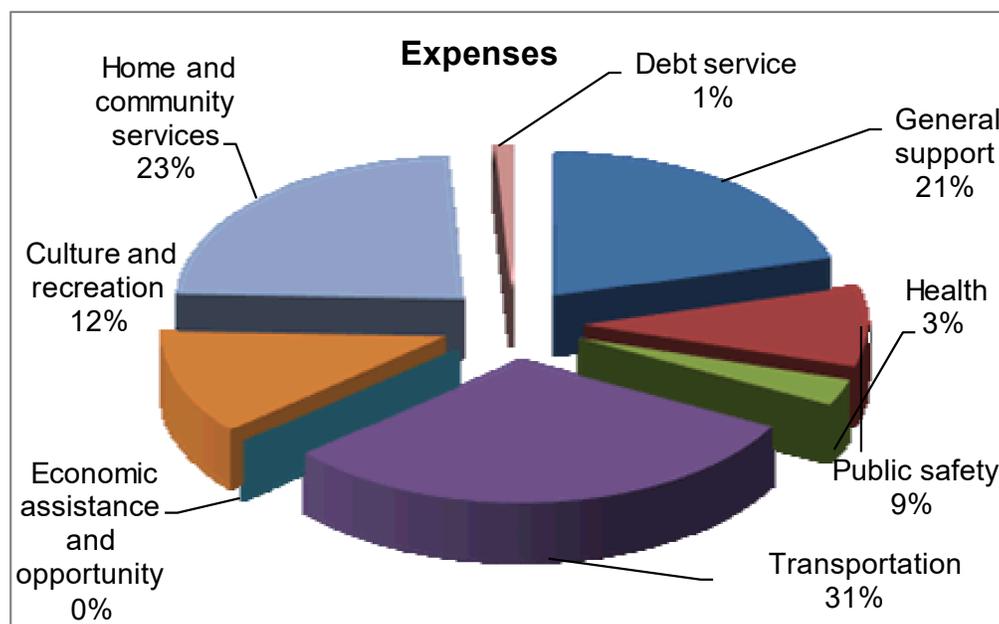
	Total Cost of Services 2020	Total Cost of Services 2019	Total Revenue 2020	Total Revenue 2019	Net Cost of Services 2020	Net Cost of Services 2019
<b>Functions:</b>						
General government support	\$ 26,906,614	\$ 25,944,705	\$ 4,074,291	\$ 3,715,667	\$(22,832,323)	\$(22,229,038)
Public safety	11,701,577	12,280,271	1,697,341	1,932,514	(10,004,236)	(10,347,757)
Health	3,857,668	3,961,476	339,956	712,268	(3,517,712)	(3,249,208)
Transportation	40,314,864	35,628,529	2,076,413	1,749,270	(38,238,451)	(33,879,259)
Economic assistance and opportunity	-	220	121,653	186,305	121,653	186,085
Culture and recreation	15,391,084	16,515,753	1,201,521	1,739,106	(14,189,563)	(14,776,647)
Home and community services	30,644,763	30,290,699	30,577,161	30,443,668	(67,602)	152,969
Interest on debt	1,135,150	825,982	-	-	(1,135,150)	(825,982)
<b>Total</b>	<u>\$129,951,720</u>	<u>\$125,447,635</u>	<u>\$ 40,088,336</u>	<u>\$ 40,478,798</u>	<u>\$(89,863,384)</u>	<u>\$(84,968,837)</u>



## GOVERNMENTAL ACTIVITIES (Continued)

For the fiscal year ended December 31, 2020, expenses from governmental activities totaled \$129,951,720. The largest components of governmental activities expenses are general governmental support \$26,906,614 (20.7%), public safety \$11,701,577 (9.0%), transportation \$40,314,864 (31.0%), home and community services \$30,644,763 (23.6%), and culture and recreation \$15,391,084 (11.8%). Expenses increased from the prior year by \$4,504,085, or 3.6%, primarily as a result of a combination of the following significant factors:

- General support increased by \$961,910
- Transportation increased by \$4,686,335
- Public Safety decreased by \$578,694
- Culture and recreation decreased by \$1,124,669



	2020	2019
Real property taxes	\$ 59,011,251	\$ 57,034,129
Other real property tax items	1,240,677	1,198,976
Non-property tax items - franchise fees	2,707,939	2,804,631
Mortgage tax	6,785,882	4,438,112
Investment earnings - Unrestricted	662,192	1,360,055
Other general revenues	2,961,732	3,382,302
Charges for services	35,515,683	36,888,553
Operating grants and contributions	2,646,107	1,829,290
Capital Grants and contributions	1,926,546	1,760,955
	<u>\$113,458,009</u>	<u>\$110,697,003</u>

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

### Governmental Funds

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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$44,962,429 a decrease of \$5,040,862 compared to last years ending balance of \$50,003,291. The non-spendable fund balance component is \$3,316,829 consisting of amounts representing prepaid items. Fund balance of \$15,941,269 is restricted primarily for capital reserves, special revenue funds and capital project fund restrictions. The assigned fund balance classification aggregates \$11,883,865 consisting primarily of amounts for special revenue funds, and capital projects. The remaining fund balance of \$13,820,466 is unassigned and represents the remaining positive fund balance in the General Fund after amounts that have been restricted, committed or assigned for other purposes.

**The General Fund** is the primary operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,820,466, representing 68.3% of the total General fund balance of \$20,239,916. This is a decrease from the prior year when the total unassigned fund balance was \$15,527,240. This decrease in the unassigned general fund balance of \$1,706,774 or 11.0% resulted from a positive budget variance of \$3,916,585 along with appropriations of fund balance for the year of \$5,334,471.

Two useful measures of liquidity are the percentage of unassigned fund balance to total expenditures and total fund balance to total expenditures. At the end of the current fiscal year, the General Fund showed unassigned fund balance as compared to total expenditures and other financing uses of 26.8% in 2020 as compared to 32.2% in the prior year.

The fund balance of the General Fund decreased by \$1,417,889 during the fiscal year ended December 31, 2020. This deficit was due to the following:

- Actual revenues and other financing sources were less than the final budget by \$182,156, a negative variance of 0.35% of the final budget.
- Actual expenditures and other financing uses were favorable to budget by \$4,098,741 before encumbrances representing a positive variance of 7.0% of the total budget.
- The General Fund balance was reduced by the authorized use of prior year fund balance of \$276,057.
- Additional use of fund balance primarily for capital improvements during the year was \$5,058,414.

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

### Governmental Funds (Continued)

Contributing factors for the negative revenue variance of \$182,156 were Departmental Revenues which was \$1,488,571 less than budget that mostly consisted of School Age Childcare revenues less than budget of \$942,387 and Recreation Fees less than budget of \$279,909, Premium on debt issuance was \$158,191 greater than budget and Mortgage Tax was \$1,350,882 greater than budget.

Contributing factors for the positive expense variance of \$4,098,741 were:

- Public Safety salaries of \$74,244, Transportation salaries of \$43,542 and Health salaries of \$59,089 were less than budget due to retirements, unfilled positions and less part time salaries.
- Other Public Safety expenditures for communications and equipment maintenance were less than budget by \$37,484 and Animal Shelter costs were less than budget by \$62,573.
- Culture and Recreation program expenditures and costs were less than budget for many departments due to the pandemic restrictions. Most notably were expenditures of \$217,203 for Seniors program, School Age Childcare programs and Recreation Special programs. Parks and Beaches special programs and costs were less than budget by \$52,232 and Culture and recreation salaries were less than budget by \$457,044.
- Home and Community were less than budget for the Contractual and leachate costs of \$484,675.
- Less general government expense compared to budget for salaries of \$219,126, unspent contingency of \$502,055, other costs for Building and Grounds, IT costs and Comptroller Professional fees for \$238,290.
- Employee Benefits were less than budget by \$1,040,380 and debt service for Capital Leased vehicles were less than budget by \$189,746.

**The Highway Fund** total fund balance at the end of the current fiscal year was \$5,640,051, an increase of \$55,683 from the previous year. The increase in fund balance of \$55,683 was primarily due to positive operating variances as compared the final budget before encumbrances of \$509,531 and the prior use of fund balance for the year of \$453,847, which was for Appropriated Debt Reserve of \$168,512 and Appropriations for prior year encumbrances of \$285,335.

Contributing factors for the operating variance were:

- Positive revenue variance in state aid of \$286,965,
- Interfund revenues had a positive variance of \$66,234,
- Premium on debt issuance was greater than budget by \$22,897,
- Anticipated FEMA funding for Storm Isaias was less than budget by \$1,846,896 and is still pending final approval,
- Expenditures were less than budget in total by \$2,031,060. Most notably:
  - Snow related expenditures were less than budget by \$632,446, due to a mild winter,
  - Road Maintenance expenditures were below final budget by \$597,354,
  - Employee benefits were less than budget by \$565,354,
  - Debt Services for Leased Vehicles were less than budget by \$ 162,675.

**The Refuse and Garbage Fund** reflects a fund balance of \$2,276,777 at the end of the current fiscal year, a decrease of \$411,985 from the previous year. The Refuse and Garbage fund had a prior use of fund balance of \$773,458, the majority of which was appropriated for leaf disposal and garbage disposal costs due to increased volume related to the pandemic. The use of fund balance along with a positive variance to final budget before encumbrances of \$361,563 accounted for the decrease of \$411,985.

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Contributing factors for the operating variance before encumbrance were:

- State aid increase of \$83,004.
- Home and community decrease of \$151,935.
- Employee benefit decrease of \$140,532.

**The Capital Projects Fund** reflects a fund balance of \$9,490,508 at the end of the current fiscal year, a decrease of \$1,975,876 from the previous year, mainly due to debt issuance proceeds of \$10,583,241 and transfers in of \$11,010,980, grant and other revenue if \$1,571,768 offset by capital outlay of \$25,098,265.

**The Other Governmental Funds** consisting of eight non-major funds had a total fund balance at the end of the current fiscal year of \$7,315,177, a decrease of \$1,290,795 from the previous year. The most notable contributing factors are:

**The Town Outside Village** had an increase in fund balance of \$123,197. The Town Outside Village had a prior use of fund balance of \$427,440, of which \$379,125 were for capital projects. The use of fund balance along with a positive variance in county and state grants of \$44,591 and a negative revenue variance of \$168,743 in Building permits due to the pandemic as well as a positive expenditure variance in Public safety and Home and community of \$416,821 of which \$272,552 were due to salaries and expenditures less than budget and for employee benefits of \$178,057 less than budget and debt service for leased vehicles less than budget by \$43,896 and unused contingency of \$27,414 accounted for most of the increase in fund balance.

**The Special Revenue** fund had a decrease in fund balance of \$1,586,942. The Special Revenue fund had a prior use of fund balance of \$761,258, the majority of which was for Medical and Workers Compensation costs. Due to a policy change, the fund balance was brought down to \$0 in 2020 giving contributing funds a positive employee benefits variance as noted. The use of fund balance along with a positive variance in Miscellaneous Revenues of \$125,989 and expenses greater than budget for employee benefits of \$943,571 accounted for most of the decrease in fund balance.

**The Street Lighting Districts** had an increase in fund balance of \$9,808. The Street Lighting Districts had a prior use of fund balance of \$56,259, the majority of which was Appropriated for lighting improvements and repairs. The use of fund balance along with positive variances in transportation of \$44,349 and employee benefits less than budget of \$25,165 accounted for most of the increase in fund balance.

**The Ambulance Districts** had an increase in fund balance of \$26,578. Ambulance revenue was less than the budget by \$52,009 and Health expenditures were less than budget of \$73,445 accounted for the increase.

**The Paul J Fitzpatrick Country Club** had a decrease in fund balance of \$164,222 mostly due to the decrease of revenue for Concession income and Country Club rental as well as Pool fees and ID badges related to the effects of the pandemic in the amount of \$255,038. Reduced expenses for the country club in salaries and building and maintenance costs resulted in a positive variance of \$77,353 and employee benefits less than budget was \$6,111.

**The Water Districts** had an increase in fund balance of \$299,134 was primarily due to a prior use of fund balance for debt service of \$6,375 along with a positive budget variance of \$305,509. Contributing factors to the positive budget variance are Premium for debt issuance greater than budget of \$73,922, Unused contingency budget of \$90,173, Employee benefits less than budget of \$35,957 and other water district expenses less than budget of \$135,672.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there was a \$6,646,823 or 13.6% increase in overall spending between the original budget of \$48,970,853 and the final budget of \$55,617,676. 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:

- \$4,966,300 was funded by fund balance for transfers to capital projects fund and other improvements.
- \$1,135,000 was funded from the surplus in the Mortgage tax revenue received for the transfer to capital projects.
- \$92,114 was funded from Restricted capital reserve to acquire land for open space.
- \$217,856 from prior year encumbrances transferred over to the current year.
- \$85,000 for marina dock costs funded by miscellaneous sales.

### Capital Assets

The Town's investment in capital assets for governmental activities at December 31, 2020, net of \$222,151,605 of accumulated depreciation, was \$144,877,025. The investment in capital assets includes land, land improvements, buildings and improvements, infrastructure, machinery and equipment and construction-in-progress.

More detailed information on capital assets can be found in Note 3. B. Capital Assets in the notes to the financial statements.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

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

- Highway road, drainage, and sidewalk improvements throughout the Town were completed for \$7,989,760 and Park improvements were \$5,543,626.
- Other infrastructure improvements were \$3,098,286, which mainly consisted of lighting upgrades and water district improvements.
- Construction in progress additions totaled \$5,546,987. While dispositions totaled \$2,430,200.
- The Town reported \$546,151 in capital lease obligations for new five-year leased vehicles obtained through a fleet management agreement with Enterprise Fleet Management.
- The Town purchased machinery and equipment totaling \$3,266,522.

### Capital Assets (Net of Accumulated Depreciation)

	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Percent</u> <u>Change</u>
Land	\$ 18,488,234	\$ 18,101,396	2.1%
Construction in progress	7,004,461	3,887,674	80.2%
Buildings and improvements	11,854,499	9,097,372	30.3%
Infrastructure	95,527,076	87,236,810	9.5%
Machinery and equipment	10,757,397	11,462,892	-6.2%
Furniture and office equipment	<u>1,245,358</u>	<u>981,044</u>	26.9%
Total capital assets	<u>\$144,877,025</u>	<u>\$130,767,188</u>	10.8%

### Long-term Debt

In 2016, Moody's Investors Services upgraded the Town's rating to Aaa. The Aaa rating, which is the highest rating achievable, reflects the Town's substantial, diverse and wealthy tax base that includes Fortune 500 corporate headquarters, a low debt burden and adequate reserve levels. This was reaffirmed with a stable outlook by Moody's in March 2021. The stable outlook reflects Moody's belief that the Town continues to have structurally balanced operations and maintains strong reserve levels.

## **Long-term Debt (Continued)**

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$36,572,090. As required by New York State Law, all bonds issued by the Town are general obligation bonds, backed by the full faith and credit of the Town.

More detailed information on long-term debt can be found in Note 3. D. Long-term Liabilities in the notes to the financial statements.

Known as the "constitutional debt limit", and pursuant to New York State Local Finance Law §104, the Town must limit total outstanding long-term debt to no more than 7% of the five-year average full valuation of real property. At December 31, 2020, the Town had only utilized 2.36% of its constitutional debt limit and had the authority to issue an additional \$1,362,343,740 of general obligation long-term debt. Resulting in a total constitutional debt limit of \$1,395,259,205.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Town has adopted a budget for 2021 that increased revenue and expenditures by \$1,466,649 over the 2020 adopted budget in the general fund. The general fund budget includes a real property tax increase of approximately 4.19% over 2020. In 2020, no funds in the operating funds were appropriated for the subsequent year's budget.

Overall, the Town's real property tax increased approximately 1.6% in 2021 which did not exceed the tax cap limitation.

The Town receives financial assistance from New York State and Suffolk County. The 2021 budget includes mortgage tax of \$4,782,338. State aid per capita of \$468,176 and state government assistance of \$2,499,280. 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 addition, the United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). A national emergency was declared on March 13, 2020. The Governor of New York signed an Executive Order on March 20, 2020 placing certain restrictions upon residents and businesses which included a plan to re-open the economy in phases. While the overall consequences of COVID-19 on a national, regional and local level are still unknown, the various federal relief plans should serve to minimize the economic impact to the Town.

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

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in those finances. Questions and comments concerning any of the information provided in this report should be addressed to:

Paul Rubano, MPA, Town Comptroller  
Town of Smithtown, New York  
99 W. Main Street  
P.O. Box 9090  
Smithtown, NY 11787

**TOWN OF SMITHTOWN, NEW YORK**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash - Unrestricted	\$ 41,991,261
Cash - Restricted	4,738,377
Receivables:	
Accounts receivable	3,623,819
Due from other governments	4,991,208
Due from other funds	56,333
Prepaid items	2,384,882
Inventory of materials and supplies	<u>624,213</u>
 Total current assets	 <u>58,410,093</u>
Non-current assets:	
Receivables, service concession arrangements, net of current	588,000
Non-depreciable capital assets	25,492,695
Depreciable assets, net of accumulated depreciation	<u>119,384,330</u>
 Total non-current assets	 <u>145,465,025</u>
Deferred outflows of resources:	
Deferred outflows of resources - Postemployment benefits healthcare costs	26,179,255
Deferred outflows of resources - pensions	<u>22,147,120</u>
 Total deferred outflows of resources	 <u>48,326,375</u>
 Total assets and deferred outflows of resources	 <u>252,201,493</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	11,001,919
Accrued interest	301,585
Unearned revenues	319,553
Other liabilities	1,315,147
Current portion of long term debt	<u>6,035,455</u>
 Total current liabilities	 <u>18,973,659</u>
Non-current liabilities:	
Bonds payable	34,228,144
Compensated absences	7,313,976
Net pension liability	29,886,658
Capital leases	1,966,856
Claims and judgments	1,909,106
Estimated liability for landfill closure and post closure costs	13,417,054
Total other postemployment benefits healthcare	273,890,847
Pollution remediation obligations	<u>632,000</u>
 Total long-term liabilities	 <u>363,244,641</u>
 Total liabilities	 <u>382,218,300</u>
Deferred inflows of resources:	
Deferred inflows of resources - Deferred service concession arrangement receipts	864,000
Deferred inflows of resources - Pensions	616,125
Deferred inflows of resources - Other miscellaneous items	<u>52,045</u>
 Total deferred inflows of resources	 <u>1,532,170</u>
 Total liabilities and deferred inflows of resources	 <u>383,750,470</u>
<b>NET POSITION</b>	
Net investment in capital assets	104,097,808
Restricted	15,941,269
Permanent fund:	
Nonspendable	307,734
Unrestricted	<u>(251,895,788)</u>
 Total net position	 <u>\$ (131,548,977)</u>

The accompanying notes are an integral part of these statements.

**TOWN OF SMITHTOWN, NEW YORK**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental activities -					
General governmental support	\$ 26,906,614	\$ 2,461,415	\$ 1,612,876	\$ -	\$ (22,832,323)
Public safety	11,701,577	1,285,912	411,429	-	(10,004,236)
Health	3,857,668	-	339,956	-	(3,517,712)
Transportation	40,314,864	278,805	66,767	1,730,841	(38,238,451)
Economic opportunity and development	-	121,653	-	-	121,653
Culture and recreation	15,391,084	998,442	203,079	-	(14,189,563)
Home and community services	30,644,763	30,369,456	12,000	195,705	(67,602)
Interest	1,135,150	-	-	-	(1,135,150)
Total governmental activities	<u>\$ 129,951,720</u>	<u>\$ 35,515,683</u>	<u>\$ 2,646,107</u>	<u>\$ 1,926,546</u>	<u>\$ (89,863,384)</u>
GENERAL REVENUES:					
Real property taxes					59,011,251
Other real property tax items					1,240,677
Non-property tax items - franchise fees					2,707,939
Mortgage tax					6,785,882
Investment earnings					662,192
Sale of property and compensation for loss					515,467
State aid					862,354
Miscellaneous					1,583,911
Total general revenues					<u>73,369,673</u>
Change in net position					<u>(16,493,711)</u>
Total net position - beginning of year					(115,055,266)
Net position - end of year					<u>\$ (131,548,977)</u>

The accompanying notes are an integral part of these statements.

**TOWN OF SMITHTOWN, NEW YORK**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	General Fund	Highway Fund	Refuse and Garbage Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,252,930	\$ 4,624,490	\$ 4,629,134	\$ 12,912,059	\$ 7,572,648	\$ 41,991,261
Cash - restricted	4,423,173	-	-	-	315,204	4,738,377
Accounts receivable	1,498,120	9,988	70,296	18,151	1,268,264	2,864,819
Due from other funds	1,487,946	851,887	41,038	245,637	79,225	2,705,733
Due from other governments	3,011,466	271,266	134,197	1,331,648	242,631	4,991,208
Prepays and inventory of materials and supplies	<u>1,218,995</u>	<u>1,299,300</u>	<u>154,230</u>	<u>-</u>	<u>336,570</u>	<u>3,009,095</u>
<b>Total assets</b>	<b><u>\$ 23,892,630</u></b>	<b><u>\$ 7,056,931</u></b>	<b><u>\$ 5,028,895</u></b>	<b><u>\$ 14,507,495</u></b>	<b><u>\$ 9,814,542</u></b>	<b><u>\$ 60,300,493</u></b>
<b>LIABILITIES:</b>						
Accounts payable and accrued liabilities	\$ 1,911,913	\$ 977,604	\$ 2,413,329	\$ 3,834,813	\$ 1,864,260	\$ 11,001,919
Due to other funds	171,968	371,481	338,789	1,161,207	605,955	2,649,400
Unearned revenue	201,641	67,795	-	20,967	29,150	319,553
Other liabilities	<u>1,315,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,315,147</u>
<b>Total liabilities</b>	<b><u>3,600,669</u></b>	<b><u>1,416,880</u></b>	<b><u>2,752,118</u></b>	<b><u>5,016,987</u></b>	<b><u>2,499,365</u></b>	<b><u>15,286,019</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Other miscellaneous items	<u>52,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,045</u>
<b>Total deferred inflows of resources</b>	<b><u>52,045</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>52,045</u></b>
<b>FUND BALANCES:</b>						
Nonspendable	1,218,995	1,299,300	154,230	-	644,304	3,316,829
Restricted	4,918,922	134,788	2,122,547	6,023,261	2,741,751	15,941,269
Assigned	281,533	4,205,963	-	3,467,247	3,929,122	11,883,865
Unassigned	<u>13,820,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,820,466</u>
<b>Total fund balances</b>	<b><u>20,239,916</u></b>	<b><u>5,640,051</u></b>	<b><u>2,276,777</u></b>	<b><u>9,490,508</u></b>	<b><u>7,315,177</u></b>	<b><u>44,962,429</u></b>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<b><u>\$ 23,892,630</u></b>	<b><u>\$ 7,056,931</u></b>	<b><u>\$ 5,028,895</u></b>	<b><u>\$ 14,507,495</u></b>	<b><u>\$ 9,814,542</u></b>	<b><u>\$ 60,300,493</u></b>

The accompanying notes are an integral part of these statements.

# TOWN OF SMITHTOWN, NEW YORK

## RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2020

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Total fund balance - governmental funds \$ 44,962,429

Total net position reported for governmental activities in the Statement of Net Position is different because:

Deferred outflows of resources not reported in governmental funds, related to the following:

Pension	22,147,120
Postemployment benefits healthcare costs	26,179,255

Deferred inflow of resources not reported in governmental funds, related to the following:

Pension	(616,125)
---------	-----------

Capital assets used in governmental activities are not current financial resources and; therefore, are not reported in the funds. 144,877,025

Long-term liabilities that are not due and payable in the current period are not reported in the funds:

General obligation bonds	(36,572,090)
Compensated absences	(8,199,088)
Capital Leases	(3,166,890)
Claims and judgement	(1,909,106)
Net pension liability, proportionate share	(29,886,658)
Estimated liability for landfill closure and post closure care costs	(13,983,180)
Postemployment benefits healthcare costs	(273,890,847)
Pollution remediation obligations	(632,000)

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. (1,040,237)

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. 483,000

Receivables, service concession arrangements are not available to pay for current period expenditures and therefore are not reported in the funds. 864,000  
Deferred inflows, service concession arrangements not reported in the funds. (864,000)

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. (301,585)

Total net position of governmental activities \$ (131,548,977)

TOWN OF SMITHTOWN, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Highway Fund	Refuse and Garbage Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
REVENUES:						
Real property taxes	\$ 26,979,833	\$ 24,042,306	\$ -	\$ -	\$ 7,989,112	\$ 59,011,251
Other tax items	633,516	412,878	-	-	194,283	1,240,677
Nonproperty tax items	2,707,939	-	-	-	-	2,707,939
Departmental income	9,080,857	-	15,839,202	-	6,639,052	31,559,111
Intergovernmental charges	641,973	93,754	669,242	-	20,499	1,425,468
Use of money and property	509,597	57,647	39,781	-	55,167	662,192
Licenses and permits	91,826	278,805	-	-	1,948,827	2,319,458
Fines and forfeitures	183,889	-	26,500	-	-	210,389
Sale of property and compensation for loss	272,798	3,756	233,926	4,000	987	515,467
Interfund revenue	-	2,302,154	-	-	1,631	2,303,785
State aid	8,693,020	1,621,965	227,579	930,821	315,838	11,789,223
Federal aid	92,820	-	-	168,899	171,205	432,924
Miscellaneous	17,835	12,307	7,204	468,048	1,074,517	1,579,911
Total revenues	<u>49,905,903</u>	<u>28,825,572</u>	<u>17,043,434</u>	<u>1,571,768</u>	<u>18,411,118</u>	<u>115,757,795</u>
EXPENDITURES:						
General governmental support	13,735,248	-	-	-	236,091	13,971,339
Public safety	3,191,726	-	-	-	3,305,576	6,497,302
Health	894,833	-	-	-	2,040,097	2,934,930
Transportation	1,213,237	16,057,213	-	-	1,146,158	18,416,608
Economic opportunity and development	-	-	-	-	-	-
Culture and recreation	7,047,118	-	-	-	370,165	7,417,283
Home and community services	5,024,996	-	15,280,420	-	5,862,918	26,168,334
Employee benefits	11,562,430	7,108,427	1,717,830	-	5,746,491	26,135,178
Debt service -						
Principal	2,112,170	966,951	275,553	-	546,867	3,901,541
Interest	620,897	266,195	72,780	-	164,276	1,124,148
Capital outlay	-	-	-	25,098,265	-	25,098,265
Total expenditures	<u>45,402,655</u>	<u>24,398,786</u>	<u>17,346,583</u>	<u>25,098,265</u>	<u>19,418,639</u>	<u>131,664,928</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,503,248</u>	<u>4,426,786</u>	<u>(303,149)</u>	<u>(23,526,497)</u>	<u>(1,007,521)</u>	<u>(15,907,133)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	36,952	1,000	5,300	11,010,980	642	11,054,874
Transfers out	(6,116,280)	(4,395,000)	(120,575)	(43,600)	(379,419)	(11,054,874)
Debt issuance proceeds	-	-	-	10,037,090	-	10,037,090
Capital lease proceeds	-	-	-	546,151	-	546,151
Premium on debt issuance	158,191	22,897	6,439	-	95,503	283,030
Total other financing sources and uses	<u>(5,921,137)</u>	<u>(4,371,103)</u>	<u>(108,836)</u>	<u>21,550,621</u>	<u>(283,274)</u>	<u>10,866,271</u>
CHANGE IN FUND BALANCE	<u>(1,417,889)</u>	<u>55,683</u>	<u>(411,985)</u>	<u>(1,975,876)</u>	<u>(1,290,795)</u>	<u>(5,040,862)</u>
FUND BALANCE - beginning of year	<u>21,657,805</u>	<u>5,584,368</u>	<u>2,688,762</u>	<u>11,466,384</u>	<u>8,605,972</u>	<u>50,003,291</u>
FUND BALANCE - end of year	<u>\$ 20,239,916</u>	<u>\$ 5,640,051</u>	<u>\$ 2,276,777</u>	<u>\$ 9,490,508</u>	<u>\$ 7,315,177</u>	<u>\$ 44,962,429</u>

The accompanying notes are an integral part of these statements.

## TOWN OF SMITHTOWN, NEW YORK

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

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Net change in fund balances - governmental funds \$ (5,040,862)

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

Governmental funds report 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. This is the  
amount by which capital outlay exceeded depreciation expense in the current period:

Capital outlay expenditures less disposals	27,169,737
Depreciation expense	(12,932,141)
Loss on disposition	(127,759)

Net change in deferred outflows of recourses related to pensions:

Pensions	14,335,025
Postemployment benefits healthcare costs	3,307,248

Revenues in the statement of activities that do not provide current financial  
resources are not reported as revenues in the funds.

4,000

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

Debt issued	(10,037,090)
Repayment of debt principal	2,742,260
Compensated absences	(815,747)
Capital Lease proceeds	(546,151)
Repayment of capital lease	1,159,282
Claims and judgements	(207,915)
Net pension liability - proportionate share	(21,824,757)
Estimated liability for landfill closure and post closure care costs	127,600
Pollution remediation obligations	(432,000)
Postemployment benefits healthcare costs	(15,171,812)
Accrued interest payable	(68,943)

Net Change in deferred inflows of resources related to pensions

2,091,403

Premiums of bond issuances recognized in governmental funds statements when  
issued and capitalized and amortized in the Statement of Activities

(225,089)

Change in net position of governmental activities

\$ (16,493,711)

The accompanying notes are an integral part of these statements.

**TOWN OF SMITHTOWN, NEW YORK**

**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
DECEMBER 31, 2020**

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	<u>Custodial Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 196,134,491
Due from other funds	<u>-</u>
Total assets	<u>\$ 196,134,491</u>
<b>LIABILITIES</b>	
Due to other governments	194,737,116
Due to other funds	56,333
Other agency liabilities	<u>1,341,042</u>
Total liabilities	<u>\$ 196,134,491</u>
<b>NET POSITION</b>	
Restricted	<u>-</u>
Total net position	<u>\$ -</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
DECEMBER 31, 2020**

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	<u>Custodial Fund</u>
<b>ADDITIONS</b>	
Tax collected for other governments	<u>\$ 478,227,713</u>
Total additions	<u>478,227,713</u>
<b>DEDUCTIONS</b>	
Tax remitted to other governments	<u>478,227,713</u>
Total deductions	<u>478,227,713</u>
Net changes in fiduciary net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

# TOWN OF SMITHTOWN, NEW YORK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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### 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. Financial Reporting Entity

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

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Town's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal burden and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

#### B. 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 non-fiduciary activities of the Town as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Government-Wide Financial Statements (Continued)

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### C. Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activity's column of the government-wide presentation. The Town's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:
  - General Fund - The General Fund constitutes the primary operating fund of the Town and 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Fund Financial Statements (Continued)

#### a. Governmental Funds – (Continued)

- Special Revenue Funds – Special revenue funds are established to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue funds of the Town are as follows:
  - 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 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 the solid waste. Only residential properties contribute to the operations of the district via user fees on a benefit derived basis.

Additionally, the Town reports the following non major funds:

Special Revenue Funds include the following:

- Town Outside Village Fund – 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 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 operation relating to the repair and maintenance of streetlights 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Fund Financial Statements (Continued)

Special Revenue Funds include the following (Continued):

- Water Districts Fund – The Special Districts Fund is provided to account for the operation and maintenance of the Town's water funds. The majority of revenue resources consist of property taxes, departmental income and rental income.
  - Smithtown Water District – includes all operations relating to water within the Town of Smithton. 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 Smithton. The district is governed by a Board of Water Commissionaires. 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:

- Nissequogue 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 Nissequogue River improvements.
- b. Fiduciary Funds (Not Included in Government-Wide Financial Statements) - Fiduciary funds are used to account for assets held by the Town in a Custodial capacity on behalf of others.
- Custodial Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the Town as agent for various deposits that are payable to other jurisdictions or individuals.
    - Town Custodial Fund – accounts for the Industrial Development Agency.
    - Town Receiver of Taxes Custodial Fund – accounts for amounts due to other governments for general and the school taxes collected, as well as the collecting and remitting amounts to the Town.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. 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 indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Custodial Fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded 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 as soon as 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 post closure 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.

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Assets, Liabilities Deferred Inflows/Outflows of Resources and Net Position or Fund Balances

1. 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 (FDIC) insured commercial banks located within the state.

Cash and Cash Equivalents – 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.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Town has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

2. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Town's name. The Town's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2020.
3. 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.
4. Other Receivables – Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.
5. Due From/To Other Funds – During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2020, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.
6. Inventory - 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).

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities Deferred Inflows/Outflows of Resources and Net Position or Fund Balances (Continued)**

7. Prepaid Expenses/Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Prepaid expenses/expenditures consist of employee retirement and other costs which have been satisfied prior to the end of the fiscal year but represent items which have been provided for in the subsequent years budget and will benefit such periods. Reported amounts in the fund financial statements are equally offset by nonspendable fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.
8. 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:

	<u>Life in Years</u>
Buildings	40
Improvements other than buildings	25
Infrastructure	20
Machinery and equipment	5

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.

9. Unearned Revenues – Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In government-wide financial statements, unearned revenues consist of revenue received in advance and/or revenue from grants received before the eligibility requirements have been met.

Unearned revenues in fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Town has reported unearned revenues of \$67,795 for real property taxes in the Highway Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Assets, Liabilities Deferred Inflows/Outflows of Resources and Net Position or Fund Balances (Continued)

10. 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 post closure 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 uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

11. Compensated Absences – The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation from service. The liability for such accumulated leave is reflected in the government-wide Statement of Net Position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.
12. 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Assets, Liabilities Deferred Inflows/Outflows of Resources and Net Position or Fund Balances (Continued)

13. 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 represent 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.

- Net Position - Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources.
- 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.
- Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, granters, 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.
- 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, granters, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Assets, Liabilities Deferred Inflows/Outflows of Resources and Net Position or Fund Balances (Continued)

- 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.
- 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.
  - 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.

### 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 the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## **2. STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Data**

The Town generally 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.

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 2020.

## **3. DETAILED NOTES ON ALL FUNDS**

### **A. Cash and Cash Equivalents 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.

### **3. DETAILED NOTES ON ALL FUNDS (Continued)**

#### **A. Cash and Cash Equivalents and Investments (Continued)**

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.

At December 31, 2020, the Town's carrying value of deposits were \$242,858,356. This amount is inclusive of fiduciary fund deposits of \$196,134,491 and restricted cash of \$4,738,377, but exclusive of petty cash of \$5,775. The bank balance was \$243,211,484. Of the total bank balance, \$6,120,204 was covered by the Federal Depository Insurance Corporation (FDIC), \$202,013,193 was covered by collateral in the Town's name, and \$35,078,087 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, 2020, the Town did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### B. Capital Assets

Changes in the Town's capital assets are as follows:

	January 1, 2020 <u>Balance</u>	Additions	Disposals	December 31, 2020 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 18,101,396	\$ 386,838	\$ -	\$ 18,488,234
Construction in progress	<u>3,887,674</u>	<u>5,546,987</u>	<u>2,430,200</u>	<u>7,004,461</u>
Total non-depreciable cost	<u>21,989,070</u>	<u>5,933,825</u>	<u>2,430,200</u>	<u>25,492,695</u>
Capital assets that are depreciated:				
Buildings and improvements	22,138,417	3,265,808	96,890	25,307,335
Infrastructure	254,005,445	16,631,672	3,926,861	266,710,256
Machinery and equipment	43,034,773	3,266,522	517,851	45,783,444
Furniture and office equipment	<u>3,293,917</u>	<u>502,110</u>	<u>61,127</u>	<u>3,734,900</u>
Total depreciable historical cost	<u>322,472,552</u>	<u>23,666,112</u>	<u>4,602,729</u>	<u>341,535,935</u>
Less accumulated depreciation:				
Buildings and improvements	13,041,045	438,274	26,483	13,452,836
Infrastructure	166,768,635	8,329,299	3,914,754	171,183,180
Machinery and equipment	31,571,881	3,934,662	480,496	35,026,047
Furniture and office equipment	<u>2,312,873</u>	<u>229,906</u>	<u>53,237</u>	<u>2,489,542</u>
Total accumulated depreciation	<u>213,694,434</u>	<u>12,932,141</u>	<u>4,474,970</u>	<u>222,151,605</u>
Total cost, net	<u>\$130,767,188</u>	<u>\$ 16,667,796</u>	<u>\$ 2,557,959</u>	<u>\$144,877,025</u>

Depreciation expense was charged to the Town's functions and programs as follows:

General government support	\$ 1,251,794
Public safety	699,668
Health	394
Transportation	8,600,486
Culture and recreation	1,247,769
Home and community services	<u>1,132,030</u>
Total depreciation expense	<u>\$ 12,932,141</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, 2020, the Town has not recorded any such impairment losses.

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### C. Pension Plans

##### Plan Description

The Town of Smithtown participates in the New York State and Local Employees' Retirement system (ERS) which is referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the system is held in the New York State Common retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2018 he was elected for a new term commencing January 1, 2019. 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 of Smithtown also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at [www.osc.state.ny.us/retire/underpublications/financialreports](http://www.osc.state.ny.us/retire/underpublications/financialreports) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244

##### Funding Policy

The Systems are non-contributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of service. For employees who joined after April 1, 2012, employees in NYSERS contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership.

Contributions made to the Systems for the current and two preceding years were as follows:

	<u>ERS</u>
2020	\$ 5,064,768
2019	\$ 4,761,401
2018	\$ 4,774,422

The ERS contributions were equal to 100% of the actuarially required contribution for each respective fiscal year.

The current ERS contribution for the Town was charged to various departments within the funds identified below.

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### C. Pension Plans

##### New York State Employee Retirement System

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

At December 31, 2020, the Town reported a liability of \$29,886,658 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. 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. At December 31, 2020, the Town's proportion was 0.1128626 percent, which was a decrease from its proportion measured December 31, 2019 of 0.1137834 percent.

For the year ended December 31, 2020, the Town recognized pension expense of \$10,387,255 related to the NYS Retirement System. At December 31, 2020, 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	\$ 1,758,950	\$ -
Changes of Assumptions	601,776	519,622
Net difference between projected and actual earnings on pension plan investments	15,321,354	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	666,464	96,503
Contributions subsequent to the measurement date	<u>3,798,576</u>	<u>-</u>
Total	<u>\$ 22,147,120</u>	<u>\$ 616,125</u>

\$3,798,576 was reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ending March 31,	2021	3,085,108
	2022	4,487,545
	2023	5,647,873
	2024	4,511,893
	2025	-
	Thereafter	-
		<u>\$ 17,732,419</u>

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### C. Pension Plans

##### New York State Employee Retirement System (Continued)

##### Actuarial Assumptions

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

Inflation	2.50%
Salary scale	4.2% in ERS, indexed by service
Investment Rate of Return, including inflation	6.8% compounded annually, net of investment expenses
Cost of living adjustments	1.3% annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2018

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic of real rates of return for each major asset class are summarized as of March 31, 2020 in the following table:

##### **Long-term Expected Rate of Return**

<u>Asset Type</u>	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	36%	4.05%
International Equity	14%	6.15%
Private Equity	10%	6.75%
Real Estate	10%	4.95%
Absolute Return Strategies	2%	3.25%
Opportunistic Portfolio	3%	4.65%
Real Assets	3%	5.95%
Bonds & Mortgages	17%	0.75%
Cash	1%	0.00%
Inflation-Indexed Bonds	4%	0.50%
	<u>100%</u>	

##### Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. 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 Plan'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.

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Pension Plans (Continued)**

New York State Employee 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 6.8 percent, 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 percent lower or 1 percent higher than the current rate:

	1% Decrease <u>(5.80%)</u>	Assumption <u>(6.80%)</u>	1% Increase <u>(7.80%)</u>
Proportionate Share of Net Pension liability	\$ <u>54,850,456</u>	\$ <u>29,886,658</u>	\$ <u>6,894,895</u>

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the plan as of March 31, 2020, were as follows:

	<u>Pension Plan's Fiduciary Net Position</u>
Total pension liability	\$ 194,596,261,000
Net position	<u>168,115,682,000</u>
Net pension liability (asset)	<u>\$ 26,480,579,000</u>
Fiduciary net position as a percentage of total pension liability	86.39%

**D. Long-Term Liabilities**

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 2021 through 2040.

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### D. Long-Term Liabilities (Continued)

The following table summarizes changes in the Town's long-term indebtedness for the year ended December 31, 2020:

	Beginning <u>1/1/2020</u>	<u>Issued</u>	<u>Redeemed</u>	Balance <u>12/31/2020</u>
Governmental activities				
Capital Project Fund:				
Major Funds:				
General	\$ 15,289,512	\$ 5,609,905	\$ 1,588,221	\$ 19,311,196
Highway	6,334,596	812,000	508,613	6,637,983
Refuse and Garbage	2,214,776	228,375	183,595	2,259,556
Nonmajor Funds:				
Town Outside Village	1,175,500	528,815	128,500	1,575,815
Paul J. Fitzpatrick Country Club	126,175	236,495	17,100	345,570
Street Lighting Districts	3,033,264	-	247,918	2,785,346
Water Districts	1,103,437	2,621,500	68,313	3,656,624
Total governmental activity	<u>\$ 29,277,260</u>	<u>\$ 10,037,090</u>	<u>\$ 2,742,260</u>	<u>\$ 36,572,090</u>

#### **Bonds Payable**

Bonds payable at December 31, 2020 are comprised of the following individual issues:

<u>Bond Issue</u>	<u>Original</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
General Obligation Serial Bonds - 2010	\$ 3,456,000	2010	2029	3.000%-3.250%	\$ 1,840,000
General Obligation Serial Bonds - 2011	2,275,000	2011	2021	3.000%-3.250%	185,000
General Obligation Serial Bonds - 2013	6,742,200	2013	2028	3.000%-3.250%	2,775,000
General Obligation Serial Bonds - 2015	5,770,710	2015	2030	2.000%-2.500%	3,700,000
General Obligation Serial Bonds - 2016	5,365,000	2016	2031	2.000%-2.500%	3,265,000
General Obligation Serial Bonds - 2017	4,086,390	2017	2032	2.000%-2.375%	3,210,000
General Obligation Serial Bonds - 2018	3,544,380	2018	2033	3.000%	2,750,000
General Obligation Serial Bonds - 2019	9,192,260	2019	2039	3.000%	8,810,000
General Obligation Serial Bonds - 2020	10,037,090	2020	2040	2.000%	<u>10,037,090</u>
					<u>\$ 36,572,090</u>

Interest at December 31, 2020 was as follows:

Interest paid - long-term debt	\$ 1,124,148
Less: Interest accrued in the prior year	(232,642)
Amortization on bond premiums	(57,941)
Plus: Interest accrued in the current year	<u>301,585</u>
Total expense	<u>\$ 1,135,150</u>

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### D. Long-Term Liabilities (Continued)

##### Payments to Maturity

The annual requirements to amortize all bonded debt outstanding as of December 31, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Fiscal Year Ending December 31,</u>			
2021	\$ 3,312,090	\$ 983,820	\$ 4,295,910
2022	3,225,000	809,081	4,034,081
2023	3,215,000	727,881	3,942,881
2024	3,050,000	649,831	3,699,831
2025	2,970,000	576,106	3,546,106
2026-2030	13,235,000	1,790,076	15,025,076
2031-2035	6,385,000	468,276	6,853,276
2036-2040	<u>1,180,000</u>	<u>62,600</u>	<u>1,242,600</u>
Totals	<u>\$ 36,572,090</u>	<u>\$ 6,067,671</u>	<u>\$ 42,639,761</u>

##### Capital Leases

In January 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%. Beginning principal in 2020 was \$740,911. After the 2020 principal payment of \$242,655, the ending principal was \$498,256 at December 31, 2020.

In January 2016, the Town entered into a Fleet Management Master Equity Lease Agreement with Enterprise Fleet Management Inc. At December 31, 2020, the principal amount outstanding was \$2,126,613. The interest rates for the vehicles vary based on the rate at the time of acquisition and range from 4.37% to 5.41%.

In 2019, the Town entered into two Highway Equipment Leases. One is for \$246,248 and another for \$420,416. Interest rates are 3.644% and 3.211%, respectively. They both have a term of 5 years and end in the year 2024. At December 31, 2020 the principal amount outstanding was \$542,021 for the two leases.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Fiscal Year Ending December 31,</u>			
2021	\$ 1,200,034	\$ 224,257	\$ 1,424,291
2022	983,111	166,629	1,149,740
2023	567,263	116,018	683,281
2024	318,261	43,352	361,613
2025	<u>98,221</u>	<u>19,266</u>	<u>117,487</u>
Totals	<u>\$ 3,166,890</u>	<u>\$ 569,522</u>	<u>\$ 3,736,412</u>

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### D. Long-Term Liabilities (Continued)

Equipment under these capital leases have been reported in the capital assets at December 31, 2020 as follows:

	<u>Asset Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Machinery and equipment	\$ 6,724,526	\$ 4,392,014	\$ 2,332,512
Furniture and office equipment	<u>6,504</u>	<u>5,853</u>	<u>651</u>
	<u>\$ 6,731,030</u>	<u>\$ 4,397,867</u>	<u>\$ 2,333,163</u>

#### Other Long-Term Liabilities

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.

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General obligation bonds	\$ 29,277,260	\$ 10,037,090	\$ 2,742,260	\$ 36,572,090	\$ 3,312,090
Plus					
Premiums on issuance	<u>815,148</u>	<u>283,030</u>	<u>57,941</u>	<u>1,040,237</u>	<u>72,093</u>
	<u>30,092,408</u>	<u>10,320,120</u>	<u>2,800,201</u>	<u>37,612,327</u>	<u>3,384,183</u>
Compensated absences	7,383,341	815,747	-	(A) 8,199,088	885,112
Capital leases	3,780,021	546,151	1,159,282	3,166,890	1,200,034
Claims and judgments	1,701,191	207,915	-	1,909,106	-
Net pension liability, proportionate share	8,061,901	21,824,757	-	(A) 29,886,658	-
Estimated liability for landfill closure and postclosure care costs	14,110,780	-	127,600	13,983,180	566,126
Pollution remediation obligations	200,000	432,000	-	632,000	-
Postemployment benefits healthcare costs	<u>258,719,035</u>	<u>22,043,756</u>	<u>6,871,944</u>	<u>273,890,847</u>	<u>-</u>
Total other liabilities	<u>293,956,269</u>	<u>45,870,326</u>	<u>8,158,826</u>	<u>331,667,769</u>	<u>2,651,272</u>
Total long-term liabilities	<u>\$324,048,677</u>	<u>\$ 56,190,446</u>	<u>\$ 10,959,027</u>	<u>\$369,280,096</u>	<u>\$ 6,035,455</u>

(A) Additions and deletions to compensated absences and net pension liability are shown net because it is impracticable to determine these amounts separately.

#### Other Post Employment Benefit Obligations Payable

##### Plan Description

GASB Station 75, Accounting and Financial Reporting by Employers for Post-Employment benefits Other than Pensions, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time.

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### D. Long-Term Liabilities (Continued)

##### Other Post Employment Benefit Obligations Payable (Continued)

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. The CSEA has the authority to amend the plan if necessary. There are no assets accumulated in a trust that meets the criteria of GASB 75, Paragraph 4.

##### Employees Covered by Benefit Terms

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	353
Active employees	<u>453</u>
Total participants	<u><u>806</u></u>

##### Total OPEB Liability

The Town's total OPEB liability of \$273,890,847 was measured as of December 31, 2020 and was determined by actuarial valuation as of January 1, 2020. The changes in the OPEB liability are as follows:

Balance at December 31, 2019	<u>\$258,719,035</u>
Changes for the Year	
Service cost	5,815,464
Interest	5,156,718
Contributions	(6,871,944)
Assumption changes	<u>11,071,574</u>
Net changes	<u><u>15,171,812</u></u>
Balance at December 31, 2020	<u><u>\$273,890,847</u></u>

##### Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

The discount rate was based on the index provided by Bond Buyer 20-bond General Obligation Index based on the 20-year AA municipal bond rate as of January 1, 2020.

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Long-Term Liabilities (Continued)**

**Other Post Employment Benefit Obligations Payable (Continued)**

Mortality was based on the SOA RP-2014 total Dataset mortality with Scale MP-2017 (Base Year 2006).

Inflation	6.80%
Payroll Growth	3.00%
Discount Rate	2.02%
Healthcare Cost Trend Rates	7.0% for 2022, decreasing 0.25% annually to an ultimate rate of 4.5% by 2032.
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-2019

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

The following presents the OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease <u>(1.02%)</u>	Current Discount <u>(2.02%)</u>	1% Increase <u>(3.02%)</u>
Total OPEB Liability	<u>\$337,746,115</u>	<u>\$273,890,847</u>	<u>\$226,498,495</u>

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

The following presents the OPEB liability of the Town, as well as what the Town's total OPEB liability would be if were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Healthcare		
	1% Decrease <u>(6.00%)</u>	Current Discount <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Total OPEB Liability	<u>\$223,739,393</u>	<u>\$273,890,847</u>	<u>\$341,977,755</u>

3. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-Term Liabilities (Continued)

Other Post Employment Benefit Obligations Payable (Continued)

**OPEB Expense and Deferred Outflow of Resources Related to OPEB**

For the year ended December 31, 2020, the Town recognized OPEB expense of \$18,736,508. At December 31, 2020, the Town reported deferred outflows of resources related to OPEB as follows:

	<u>Deferred Outflows of Resources</u>
Changes in assumptions and Actual vs. expected	\$ 16,536,271
Changes in assumption	<u>9,642,984</u>
Total	<u>\$ 26,179,255</u>

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

<u>Fiscal Year Ending December</u>	<u>Amount</u>
2021	7,764,326
2022	7,764,326
2023	5,293,389
2024	1,428,590
2025	1,428,590
2026	1,428,590
2027	1,071,444
Thereafter	<u>-</u>
	<u>\$ 26,179,255</u>

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### E. Interfund Receivables, Payables and Transfers

##### Interfund Receivables and Payables

At December 31, 2020, 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:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Activities:		
Major Funds:		
General Fund	\$ 1,487,946	\$ 171,968
Highway Fund	851,887	371,481
Refuse and Garbage Fund	41,038	338,789
Capital Projects Fund	245,637	1,161,207
Nonmajor Funds:		
Town Outside Village	47,618	7,399
Special Grants	-	191,014
Special Revenue	-	396,811
Street Lighting Districts	7,084	-
Ambulance	2,592	-
Paul J. Fitzpatrick Country Club	996	-
Water Districts	<u>20,935</u>	<u>10,731</u>
Total government activities	<u>2,705,733</u>	<u>2,649,400</u>
Custodial fund	<u>-</u>	<u>56,333</u>
Total	<u>\$ 2,705,733</u>	<u>\$ 2,705,733</u>

The interfund transfers reflected below have been reflected as transfers:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities:		
Major Funds:		
General Fund	\$ 36,952	\$ 6,116,280
Highway Fund	1,000	4,395,000
Refuse and Garbage Fund	5,300	120,575
Capital Projects Fund	11,010,980	43,600
Nonmajor Funds:		
Town Outside Village	642	379,125
Special Grants	-	-
Special Revenue	-	294
Street Lighting Districts	-	-
Paul J. Fitzpatrick Country Club	-	-
Water Districts	<u>-</u>	<u>-</u>
Total government activities	<u>\$ 11,054,874</u>	<u>\$ 11,054,874</u>

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### E. Interfund Receivables, Payables and Transfers (Continued)

##### Interfund Receivables and Payables (Continued)

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due and 2) to move amounts earmarked in the operating funds to fulfill commitments for Capital Projects Fund expenditures.

#### F. Fund Balances

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	Non-major Governmental Funds	Total
Nonspendable:						
Permanent fund	\$ -	\$ -	\$ -	\$ -	\$ 307,734	\$ 307,734
Prepays	1,218,995	1,299,300	154,230	-	336,570	3,009,095
Total Nonspendable	1,218,995	1,299,300	154,230	-	644,304	3,316,829
Restricted:						
Debt service	495,749	134,788	349,246	-	135,096	1,114,879
Capital projects	-	-	-	-	-	-
Purchases on order and/or contractual obligations	15,000	-	6,817	982,038	8,265	1,012,120
Special revenue funds	-	-	1,766,484	-	2,590,920	4,357,404
Park and land deposits	22,718	-	-	-	-	22,718
Capital reserves	4,077,951	-	-	5,041,223	-	9,119,174
Other reserves	307,504	-	-	-	7,470	314,974
Total Restricted	4,918,922	134,788	2,122,547	6,023,261	2,741,751	15,941,269
Assigned:						
Subsequent year's budget	-	-	-	-	-	-
Capital projects	-	-	-	2,148,779	-	2,148,779
Purchases on order and/or contractual obligations	98,918	284,605	-	1,318,468	116,637	1,818,628
Special revenue funds	-	3,921,358	-	-	3,536,882	7,458,240
Permanent fund	-	-	-	-	-	-
Other assignments	182,615	-	-	-	275,603	458,218
Total Assigned	281,533	4,205,963	-	3,467,247	3,929,122	11,883,865
Unassigned						
General Fund	13,820,466	-	-	-	-	13,820,466
Total Unassigned	13,820,466	-	-	-	-	13,820,466
Total fund balances	\$ 20,239,916	\$ 5,640,051	\$ 2,276,777	\$ 9,490,508	\$ 7,315,177	\$ 44,962,429

#### **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 \$1,422,500. 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-eight (48) locations, for blanket building and contents of \$36,066,138 excluding windstorm and hail damage. Boiler and machinery Included under contents limit. The policy also excludes new "frame" buildings in the course of construction. Inland Marine Policy covering schedule and unscheduled equipment, including boats, \$4,262,475/25,000 deductible, and EDP equipment of \$750,000/\$25,000 deductible.

##### **General and Auto Liability/Cyber Liability**

The Town carries insurance for general and auto liability protection of \$10,000,000 per occurrence and \$11,000,000 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 \$10,000,000 per occurrence. Cyber liability \$1,000,000/\$10,000 deductible.

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

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

##### **Other**

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.

#### 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.

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

	General Liability		Workers' Compensation	
	2020	2019	2020	2019
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 1,467,500	\$ 3,217,611	\$ 233,691	\$ 245,883
Incurred claims and claim adjustment expenditures:				
Provision for the insured events of the current year and increases (decreases) in provisions for insured events of prior years	718,333	(1,320,263)	-	-
Payments:				
Claims and claim adjustment expenditures attributable to insured events of the current and prior years	430,000	429,848	80,418	12,192
Total unpaid claims and claim adjustment expenditures at the end of the year	<u>\$ 1,755,833</u>	<u>\$ 1,467,500</u>	<u>\$ 153,273</u>	<u>\$ 233,691</u>

##### B. 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 reserved for an estimated amount for 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.

#### **4. COMMITMENTS AND CONTINGENCIES (Continued)**

##### **C. TAX CERTIORARIS**

At December 31, 2020, there were numerous taxpayers' claims pending for the redetermination of assessed valuations (certiorari proceedings) for assessment through 2020. In essence, petitioners complain that their assessed valuations are improper in that they represent overvaluations and unequal treatment. Under the Suffolk County Tax Act, any adjustments to petitioners' assessments for prior years 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 petitioner's 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.

##### **D. LANDFILL CLOSURE AND POST CLOSURE CARE COST**

State and Federal laws and Regulations required that the Town place a final cover on its landfill sites when they stopped 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 \$524,000 per year for 2020. Actual costs for Cells 1-5 and Cell 6 were \$109,033 and \$286,504 respectively, for the year ended December 31, 2020. The remaining postclosure costs for Cells 1-5 and Cell 6 approximates \$2,028,000 and \$11,955,180 respectively.

Accordingly, as of December 31, 2020, the Town has recorded an estimated liability of \$13,983,180 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 regulation, applicable laws or condition on the ground.

##### **E. POLLUTION REMEDIATION OBLIGATIONS**

During 2018, the Town received a deferred consent order penalty from the NYS DEC that a penalty amounting to approximately \$450,000 could be assessed to the Town unless the Town undertook remediation of accumulated debris at 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, 2018, the Town incurred an expenditure amounting to \$906,000 in the Highway Fund. An additional amount of \$54,795 was spent in 2019 and \$47,534 was spent in 2020 for excavation of material. The Town estimates a remaining balance of \$632,000 that will be recorded in the government-wide financial statements.

#### **4. COMMITMENTS AND CONTINGENCES (Continued)**

##### **F. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS**

Capital project encumbrances, commitments for equipment purchases, and other capital acquisition commitments amount to \$2,411,196 at December 31, 2020.

##### **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 municipal 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. For 2020, the Town of Smithtown pays 37.70% of the Waste to Energy (Resource Recovery) facility expense while the Town of Huntington is responsible for 62.30%.

The Town of Huntington and the Town jointly established a length of service award program defined benefit (LOSAP) plan for the active ambulance workers of 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.

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

- Annual agreements with the Village of the Branch for repair and maintenance of Village Streets, and installation of traffic signs and application of pavement markings on Village streets.
- Annual agreement with the 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. A 3-year agreement expiring 12/31/16 with 3-one-year renewals for the use of Town Fire Marshals and/or other qualified personnel to make inspections and enforce violations.
- 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 are expiring in 3 years with a 3-year extension.
- Annual agreements with the 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. Also, for the use of Town Fire Marshals and/or other qualified personnel to make inspections and enforce violations, the use of the Town's emergency vehicle traffic signal preemption equipment, and the use of the Edward Mankuski Fire Training Center.
- The Towns of Brookhaven, Huntington and Smithtown have renewed an agreement for disposal of Huntington Resource Recovery Facility acceptable ash residue at the Brookhaven Landfill. This agreement is effective from December 1, 2019 through November 30, 2024.

#### 4. COMMITMENTS AND CONTINGENCES (Continued)

##### G. MUNICIPAL COOPERATION AGREEMENTS (Continued)

- An agreement with the Town of Brookhaven to accept and properly dispose of Town of Smithtown Residents' glass. Town of Smithtown collects the glass from the Town's drop-off locations and will deliver it to the Town of Brookhaven. This agreement will expire on December 31, 2021. It may also be extended yearly for three terms.
- An agreement with the Town of Brookhaven to accept construction and demolition debris at the Brookhaven Landfill expires January 28, 2023.
- An annual agreement with Kings Park Central School District to utilize the Town's non-residential Solid Waste Disposal Capacity Generation Fee System and for Town Highway Department to perform road maintenance work, snow removal and supply materials at School Facilities expires May 31, 2021.
- Annual agreements with the Nesconset, Nissequogue and St. James Fire Districts providing dispatch services by the Town. Termination of agreements will be June 4th, 2021.
- Agreement with the following entities to utilize fuel pumps at Town-Owned filling stations for their authorized vehicles and equipment as follows:
  - Village of Head of the Harbor
  - Kings Park Central School District
  - Nesconset Fire Department
  - Smithtown Central School District
  - St. James Fire District
  - Village of Nissequogue
  - Village of the Branch
  - Smithtown Library
- The Kings Park Central School District and Smithtown Library agreements were entered into during 2017 and are for 5 years terms, plus another 5 year term auto-renewal if there is no notice of non-renewal received at least 6 months prior to any termination date. All other intermunicipal fuel agreements are listed were entered during 2018, do not expire and have a 30 day cancellation clause.
- Agreements with the Town of Brookhaven and the Villages of Asharoken, Lloyd Harbor and Southold to accept their delivered recyclable materials at the Town of Smithtown MSF facility. The agreement expired on November 20, 2020. The Villages of Lloyd Harbor and Asharoken filed extensions with the Town expiring on May 20, 2021.
- State of New York for snow and ice removal and mitigation on certain State roads located within the Town expire 2024.
- An annual agreement with the Incorporated Village of Lloyd Harbor to deliver e-waste to the Town expired December 31, 2020. A one-year extension was executed for January 2, 2021 through December 31, 2021.
- Annual agreements with Commack Fire District, Hauppauge Fire District, Kings Park Fire District, Nesconset 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. Term of agreement is 10 years, expiring in 2026.

#### 4. COMMITMENTS AND CONTINGENCES (Continued)

##### G. MUNICIPAL COOPERATION AGREEMENTS (Continued)

- Annual agreements with Smithtown Central School District to have Town Highway Department perform road maintenance work, snow removal and supply materials at School Facilities.
- Annual agreements with the Nesconset Fire District, Kings Park Fire District, St. James Fire District, Smithtown Fire District, Central Islip/Hauppauge Ambulance, Inc., and Commack Volunteer Ambulance Corps. for the use of the Town's emergency vehicle traffic signal pre-emption equipment expired April 2020.

##### 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 \$7,509,500 for 2020, which includes operating expenses net of electricity revenues generated by the facility and marketed excess capacity fees.

##### I. GRANTS

The Town has received grants in excess of \$4,500,000 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, 2020 are as follows:

<u>Fiscal Year Ending December 31,</u>	
2021	\$ 673,310
2022	537,095
2023	380,851
2024	326,793
2025	78,441
2026-2030	<u>196,992</u>
Totals	<u>\$ 2,193,482</u>

The Town leases office equipment under non-cancelable leases that commenced between April 2016 and December 2020 and expire between October 2020 and May 2024. Total rental expenditures on such leases for the year ended December 31, 2020 totaled \$57,475. The minimum future non-cancelable operating lease payments are as follows:

<u>Fiscal Year Ending December 31,</u>	
2021	\$ 52,227
2022	35,352
2023	29,278
2024	<u>9,759</u>
Totals	<u>\$ 126,616</u>

#### **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 un-expendable 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 assets restricted as nonexpendable at December 31, 2020 amount to \$307,734 including \$1,390 in 2020 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 \$288,000 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, 2020, the Town reports a receivable and a deferred inflow of resources in the government-wide statements in the amount of \$288,000, of which \$143,000 will be received in 2021.)

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 \$576,000 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, 2020, the Town reports a receivable and a deferred inflow of resources in the government-wide statements in the amount of \$576,000, of which \$141,000 will be received in 2021.

#### **4. COMMITMENTS AND CONTINGENCIES (Continued)**

##### **L. SERVICE CONCESSION ARRANGEMENTS(Continued)**

At December 31, 2020, the value of the two Service Concession Arrangements combined is \$864,000 of which \$284,000 is current.

#### **5. PROPERTY TAX ABATEMENT**

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, 2020, 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 evidence 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 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, 2020, the agreements the SCIDA approved resulted in an abatement of \$1,490,394 of the Town's real property taxes and the receipt of \$1,042,639 in PILOT payments.

#### **6. SUBSEQUENT EVENTS**

In March 2021, the Town issued \$6,844,670 of 2021 public improvement serial bonds for various capital projects. The bonds mature in February 2036. The premium on the bonds was \$65,604 resulting in an effective net interest rate of 1.44%.

In May 2021, the Town issued \$2,405,000 of 2021 public improvement refunding serial bonds in order to refund the \$6,742,200 of 2013 public improvement serial bonds of which \$2,775,000 was outstanding as of December 31, 2020.

The American Rescue Plan Act is projected to provide the Town with approximately \$11,342,273. The funds are to be used for costs associated with responding to COVID-19, to support Workers performing essential work, to cover revenue losses caused by the pandemic, or to make necessary investments in water, sewer or broadband infrastructure. Fifty percent of the award was received by the Town in July 2021, with the remaining funds to be received in the summer of 2022.

##### **A. COVID-19**

The United States is presently in the second year of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The President of the United States declared a national emergency on March 13, 2020 which was extended on February 24, 2021. The Governor of New York State signed an Executive Order on March 20, 2020 placing certain restrictions upon residents and businesses. At the beginning of 2021, the federal government approved several vaccinations to be administered to the general public. As a result, business and social activities have gradually opened up. Additionally, the federal government have approved several relief packages meant to stimulate the economy and reimburse businesses, individuals and local government for losses incurred as a result of the pandemic. The most recent of which is known as ARPA, the American Rescue Plan Act.

While the overall consequences of COVID-19 on a national, regional and local level are still unknown, the various federal relief plans should serve to minimize the economic impact to the Town.

## 7. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The Town adopted GASB Statement No. 84, *Fiduciary Activities*, during the year ended December 31, 2020. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. 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. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The statement describes four fiduciary funds that should be reported, if applicable: (1) pension 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.

In accordance with this Statement, the Town has a Custodial Fund, which is presented on the statement of changes to in fiduciary net position. In addition, this Statement clarified the criteria for reporting certain activities as governmental or fiduciary activities. As a result, beginning cash, liabilities, fund balance and net position were adjusted as noted below for the following opinion units:

	Agency Funds	
	Assets	Liabilities
Net Position - December 31, 2019, as previously stated	\$ 107,888,202	\$ (107,888,202)
Restatement of beginning balance - Adoption of GASB Statement 84	(107,882,202)	107,882,202
Net Position - December 31, 2019, as restated	\$ -	\$ -

	Custodial Funds		Net Position
	Assets	Liabilities	
Net Position - December 31, 2019, as previously stated	\$ -	\$ -	\$ -
Restatement of beginning balance - Adoption of GASB Statement 84	105,599,221	(105,599,221)	-
Net Position - December 31, 2019, as restated	\$ 105,599,221	\$ (105,599,221)	\$ -

	General Fund		Fund Balance
	Assets	Liabilities	
Net Position - December 31, 2019, as previously stated	\$ 24,254,161	\$ (2,554,106)	\$ (21,657,805)
Restatement of beginning balance - Adoption of GASB Statement 84	2,288,981	(2,288,981)	-
Fund Balance - December 31, 2019, as restated	\$ 26,543,142	\$ (4,843,087)	\$ (21,657,805)

	Governmental Fund Activities		Net Position
	Assets	Liabilities	
Net Position - December 31, 2019, as previously stated	\$ 223,546,769	\$ (338,602,035)	\$ 115,055,266
Restatement of beginning balance - Adoption of GASB Statement 84	2,288,981	(2,288,981)	-
Net Position - December 31, 2019, as restated	\$ 225,835,750	\$ (340,891,016)	\$ 115,055,266

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF SMITHTOWN, NEW YORK**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbrances	
<b>REVENUES:</b>					
Real property taxes	\$ 26,979,833	\$ 26,979,833	\$ 26,979,833	\$ -	\$ -
Other tax items	559,000	559,000	633,516	-	74,516
Nonproperty tax items	2,824,000	2,824,000	2,707,939	-	(116,061)
Departmental income	10,544,428	10,569,428	9,080,857	-	(1,488,571)
Intergovernmental charges	639,497	650,597	641,973	-	(8,624)
Use of money and property	466,230	466,230	509,597	-	43,367
Licenses and permits	141,800	141,800	91,826	-	(49,974)
Fines and forfeitures	208,023	208,023	183,889	-	(24,134)
Sale of property and compensation for loss	385,300	470,300	272,798	-	(197,502)
Interfund revenues	-	-	-	-	-
State aid	5,755,857	6,890,857	8,693,020	-	1,802,163
Federal aid	258,000	370,500	92,820	-	(277,680)
Miscellaneous	150,684	152,634	17,835	-	(134,799)
<b>Total revenues</b>	<b>48,912,652</b>	<b>50,283,202</b>	<b>49,905,903</b>	<b>-</b>	<b>(377,299)</b>
<b>EXPENDITURES:</b>					
General governmental support	14,326,374	14,848,939	13,735,247	11,817	1,101,875
Public safety	3,374,669	3,410,605	3,191,726	51,556	167,323
Health	946,594	970,518	894,833	-	75,685
Transportation	1,162,143	1,262,882	1,213,237	860	48,785
Economic opportunity and development	250	250	-	-	250
Culture and recreation	8,039,961	7,881,287	7,047,118	15,903	818,266
Home and community services	5,585,891	5,595,944	5,024,996	33,790	537,158
Employee Benefits	12,606,810	12,602,810	11,562,430	-	1,040,380
Debt service - principal	2,268,354	2,268,354	2,112,171	-	156,183
Debt service - interest	659,807	659,807	620,897	-	38,910
<b>Total expenditures</b>	<b>48,970,853</b>	<b>49,501,396</b>	<b>45,402,655</b>	<b>113,926</b>	<b>3,984,815</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(58,201)</b>	<b>781,806</b>	<b>4,503,248</b>	<b>(113,926)</b>	<b>3,607,516</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	36,952	-	36,952
Transfers out	-	(6,116,280)	(6,116,280)	-	-
Premiums on debt issuance	-	-	158,191	-	158,191
<b>Total other financing sources and uses</b>	<b>-</b>	<b>(6,116,280)</b>	<b>(5,921,137)</b>	<b>-</b>	<b>195,143</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(58,201)</b>	<b>(5,334,474)</b>	<b>(1,417,889)</b>	<b>(113,926)</b>	<b>3,802,659</b>
FUND BALANCE - beginning of year			21,657,805		
FUND BALANCE - end of year			<u>\$ 20,239,916</u>		

**TOWN OF SMITHTOWN, NEW YORK**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - HIGHWAY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Highway Fund				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbrances	
<b>REVENUES:</b>					
Real property taxes	\$ 24,042,306	\$ 24,042,306	\$ 24,042,306	\$ -	\$ -
Other tax items	387,319	387,319	412,878	-	25,559
Intergovernmental charges	40,000	81,611	93,754	-	12,143
Use of money and property	78,000	78,000	57,647	-	(20,353)
Licenses and permits	205,000	276,947	278,805	-	1,858
Sale of property and compensation for loss	75,000	87,000	3,756	-	(83,244)
Interfund revenue	2,228,103	2,235,919	2,302,154	-	66,235
State aid	1,335,000	1,335,000	1,621,965	-	286,965
Federal aid	-	1,846,896	-	-	(1,846,896)
Miscellaneous	-	-	12,307	-	12,307
<b>Total revenues</b>	<u>28,390,728</u>	<u>30,370,998</u>	<u>28,825,572</u>	<u>-</u>	<u>(1,545,426)</u>
<b>EXPENDITURES:</b>					
Transportation	15,222,681	17,360,244	16,057,213	284,606	1,018,425
Employee benefits	7,638,092	7,673,781	7,108,427	-	565,354
Debt service - principal	1,020,394	1,099,248	966,951	-	132,297
Debt service - interest	283,073	296,573	266,195	-	30,378
<b>Total expenditures</b>	<u>24,164,240</u>	<u>26,429,846</u>	<u>24,398,786</u>	<u>284,606</u>	<u>1,746,454</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>4,226,488</u>	<u>3,941,152</u>	<u>4,426,786</u>	<u>(284,606)</u>	<u>201,028</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	1,000	-	1,000
Transfers out	(4,395,000)	(4,395,000)	(4,395,000)	-	-
Premiums on debt issuance	-	-	22,897	-	22,897
<b>Total other financing sources and uses</b>	<u>(4,395,000)</u>	<u>(4,395,000)</u>	<u>(4,371,103)</u>	<u>-</u>	<u>23,897</u>
<b>CHANGE IN FUND BALANCE</b>	(168,512)	(453,848)	55,683	(284,606)	224,925
<b>FUND BALANCE - beginning of year</b>			<u>5,584,368</u>		
<b>FUND BALANCE - end of year</b>			<u>\$ 5,640,051</u>		

**TOWN OF SMITHTOWN, NEW YORK**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - REFUSE AND GARBAGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Refuse and Garbage Fund				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbrances	
<b>REVENUES:</b>					
Departmental income	\$ 15,813,172	\$ 15,839,202	\$ 15,839,202	\$ -	\$ -
Intergovernmental charges	587,253	675,528	669,242	-	(6,286)
Use of money and property	60,000	60,000	39,781	-	(20,219)
Fines and forfeitures	-	26,500	26,500	-	-
Sale of property and compensation for loss	50,000	233,926	233,926	-	-
Interfund revenues	-	-	-	-	-
State aid	24,000	144,575	227,579	-	83,004
Miscellaneous	-	6,348	7,204	-	856
<b>Total revenues</b>	<b>16,534,425</b>	<b>16,986,079</b>	<b>17,043,434</b>	<b>-</b>	<b>57,355</b>
<b>EXPENDITURES:</b>					
Home and community services	14,484,676	15,432,355	15,280,420	6,815	145,120
Employee benefits	1,839,961	1,858,362	1,717,830	-	140,532
Debt service - principal	275,553	275,553	275,553	-	-
Debt service - interest	72,782	72,782	72,780	-	2
<b>Total expenditures</b>	<b>16,672,972</b>	<b>17,639,052</b>	<b>17,346,583</b>	<b>6,815</b>	<b>285,654</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(138,547)</b>	<b>(652,973)</b>	<b>(303,149)</b>	<b>(6,815)</b>	<b>343,009</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	5,300	-	5,300
Transfers out	-	(120,575)	(120,575)	-	-
Premiums on debt issuance	-	-	6,439	-	6,439
<b>Total other financing sources and uses</b>	<b>-</b>	<b>(120,575)</b>	<b>(108,836)</b>	<b>-</b>	<b>11,739</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(138,547)</b>	<b>(773,548)</b>	<b>(411,985)</b>	<b>(6,815)</b>	<b>354,748</b>
<b>FUND BALANCE - beginning of year</b>			<b>2,688,762</b>		
<b>FUND BALANCE - end of year</b>			<b>\$ 2,276,777</b>		

**TOWN OF SMITHTOWN, NEW YORK**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Last Ten Fiscal Years * <u>2020</u>	Last Ten Fiscal Years * <u>2019</u>	Last Ten Fiscal Years * <u>2018</u>
Total OPEB Liability			
Service cost	\$ 5,815,464	\$ 6,923,951	\$ 8,073,512
Interest	5,156,718	10,054,790	9,080,053
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Contributions from employer	(6,871,944)		
Changes in assumptions	11,071,574	-	(29,010,649)
Benefit payments	<u>-</u>	<u>(6,996,952)</u>	<u>(6,721,373)</u>
Total change in total OPEB liability	15,171,812	9,981,789	(18,578,457)
OPEB Plan Fiduciary Position	-	-	-
Total OPEB liability - beginning	<u>258,719,035</u>	<u>248,737,246</u>	<u>267,315,703</u>
Total OPEB liability - ending	<u>\$ 273,890,847</u>	<u>\$ 258,719,035</u>	<u>\$ 248,737,246</u>
Covered payroll	\$ 32,477,835	\$ 34,969,865	\$ 34,284,181
Total OPEB liability as a percentage of covered-payroll	843.32%	739.83%	725.52%
Notes to schedule:			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount rate	2.02%	4.10%	3.44%
Healthcare trend rate:			
Initial rate	7.00%	9.50%	9.25%
Decreasing per year	0.25%	0.50%	0.50%
Ultimate rate	4.50%	5.00%	5.00%
Ultimate rate year	2032	2028	2026

\* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

**TOWN OF SMITHTOWN, NEW YORK**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	Last 10 Fiscal Years*						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.112863%	0.113783%	0.114276%	0.114353%	0.118408%	0.119748%	11.974830%
Proportionate share of the net pension liability (asset)	\$ 29,886,658	\$ 8,061,901	\$ 3,688,188	\$ 10,744,827	\$ 19,004,764	\$ 4,045,391	\$ 5,411,259
Covered payroll	\$ 35,478,151	\$ 33,326,979	\$ 32,944,369	\$ 32,443,248	\$ 31,658,188	\$ 32,227,296	\$ 32,498,633
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	84.24%	24.19%	11.20%	33.12%	60.03%	12.55%	16.65%
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.39%	96.27%	98.24%	94.70%	90.70%	97.95%	97.20%

\* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**TOWN OF SMITHTOWN, NEW YORK**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLAN (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 5,064,768	\$ 4,761,401	\$ 4,774,422	\$ 4,844,570	\$ 4,930,204	\$ 5,520,698	\$ 6,228,840	\$ 6,577,816	\$ 5,452,428	\$ 4,227,579
Contributions in relation to the contractually required contribution	<u>5,064,768</u>	<u>4,761,401</u>	<u>4,774,422</u>	<u>4,844,570</u>	<u>4,930,204</u>	<u>5,520,698</u>	<u>6,228,840</u>	<u>6,577,816</u>	<u>5,452,428</u>	<u>4,227,579</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 35,478,151	\$ 33,326,979	\$ 33,379,436	\$ 32,802,922	\$ 32,200,243	\$ 33,273,118	\$ 32,514,803	\$ 31,848,580	\$ 31,870,671	\$ 30,729,230
Contributions as a percentage of covered payroll	14.28%	14.29%	14.30%	14.77%	15.31%	16.59%	19.16%	20.65%	17.11%	13.76%

\* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**SUPPLEMENTARY INFORMATION**

**TOWN OF SMITHTOWN, NEW YORK**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Special Revenue Funds						Permanent Fund		Total Nonmajor Governmental Funds 2020
	Town Outside Village	Special Grants	Special Revenues	Street Lighting Districts	Ambulance Districts	Paul J. Fitzpatrick Country Club	Water Districts	Nissequogue River Improvement Permanent Fund	
Cash and Cash equivalents	\$ 3,362,501	\$ 58,284	\$ 658,295	\$ 581,046	\$ 1,073,507	\$ 268,557	\$ 1,570,458	\$ -	\$ 7,572,648
Cash - restricted	-	7,470	-	-	-	-	-	307,734	315,204
Accounts receivable	-	-	55,173	-	151,257	19,045	1,042,789	-	1,268,264
Due from other funds	47,618	-	-	7,084	2,592	996	20,935	-	79,225
Due from other governments	40,103	163,535	38,993	-	-	-	-	-	242,631
Prepays	243,785	-	-	38,685	-	1,715	52,385	-	336,570
<b>Total assets</b>	<b>3,694,007</b>	<b>229,289</b>	<b>752,461</b>	<b>626,815</b>	<b>1,227,356</b>	<b>290,313</b>	<b>2,686,567</b>	<b>307,734</b>	<b>9,814,542</b>
<b>LIABILITIES:</b>									
Accounts payable and accrued liabilities	427,550	1,655	355,650	82,895	788,542	19,308	188,660	-	1,864,260
Due to other funds	7,399	191,014	396,811	-	-	-	10,731	-	605,955
Unearned revenue	-	29,150	-	-	-	-	-	-	29,150
<b>Total liabilities</b>	<b>434,949</b>	<b>221,819</b>	<b>752,461</b>	<b>82,895</b>	<b>788,542</b>	<b>19,308</b>	<b>199,391</b>	<b>-</b>	<b>2,499,365</b>
<b>FUND BALANCES (DEFICITS):</b>									
Nonspendable	243,785	-	-	38,685	-	1,715	52,385	307,734	644,304
Restricted	30,200	7,470	-	-	-	269,290	2,434,791	-	2,741,751
Assigned	2,985,073	-	-	505,235	438,814	-	-	-	3,929,122
Unassigned	-	-	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b>3,259,058</b>	<b>7,470</b>	<b>-</b>	<b>543,920</b>	<b>438,814</b>	<b>271,005</b>	<b>2,487,176</b>	<b>307,734</b>	<b>7,315,177</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 3,694,007</b>	<b>\$ 229,289</b>	<b>\$ 752,461</b>	<b>\$ 626,815</b>	<b>\$ 1,227,356</b>	<b>\$ 290,313</b>	<b>\$ 2,686,567</b>	<b>\$ 307,734</b>	<b>\$ 9,814,542</b>

The accompanying notes are an integral part of this supplementary information.

**TOWN OF SMITHTOWN, NEW YORK**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Special Revenue Funds						Permanent Fund		Total Nonmajor Governmental Funds 2020
	Town Outside Village	Special Grants	Special Revenues	Street Lighting Districts	Ambulance Districts	Paul J. Fitzpatrick Country Club	Water Districts	Nissequogue River Improvement Permanent Fund	
<b>REVENUES:</b>									
Real property taxes	\$ 5,075,410	\$ -	\$ -	\$ 1,817,683	\$ 1,011,223	\$ -	\$ 84,796	\$ -	\$ 7,989,112
Other tax items	88,918	-	-	29,373	75,992	-	-	-	194,283
Departmental income	631,168	-	-	-	976,346	222,151	4,809,387	-	6,639,052
Intergovernmental charges	20,499	-	-	-	-	-	-	-	20,499
Use of money and property	17,612	262	17,430	4,219	3,114	1,689	9,451	1,390	55,167
Licenses and permits	1,931,257	-	-	-	-	17,570	-	-	1,948,827
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Sale of property and compensation for loss	-	-	-	-	-	-	987	-	987
Interfund revenue	1,631	-	-	-	-	-	-	-	1,631
State aid	315,838	-	-	-	-	-	-	-	315,838
Federal aid	-	171,205	-	-	-	-	-	-	171,205
Miscellaneous	528	-	1,073,989	-	-	-	-	-	1,074,517
<b>Total revenues</b>	<b>8,082,861</b>	<b>171,467</b>	<b>1,091,419</b>	<b>1,851,275</b>	<b>2,066,675</b>	<b>241,410</b>	<b>4,904,621</b>	<b>1,390</b>	<b>18,411,118</b>
<b>EXPENDITURES:</b>									
General governmental support	67,198	-	141,047	-	-	-	27,846	-	236,091
Public safety	3,305,576	-	-	-	-	-	-	-	3,305,576
Health	-	-	-	-	2,040,097	-	-	-	2,040,097
Transportation	-	-	-	1,146,158	-	-	-	-	1,146,158
Economic opportunity and development	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	370,165	-	-	370,165
Home and community services	1,686,754	171,205	-	-	-	-	4,004,959	-	5,862,918
Employee benefits	2,312,071	-	2,537,020	378,963	-	22,210	496,227	-	5,746,491
Debt service - principal	177,910	-	-	247,918	-	17,100	103,939	-	546,867
Debt service - interest	46,585	-	-	68,428	-	2,825	46,438	-	164,276
<b>Total expenditures</b>	<b>7,596,094</b>	<b>171,205</b>	<b>2,678,067</b>	<b>1,841,467</b>	<b>2,040,097</b>	<b>412,300</b>	<b>4,679,409</b>	<b>-</b>	<b>19,418,639</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>486,767</b>	<b>262</b>	<b>(1,586,648)</b>	<b>9,808</b>	<b>26,578</b>	<b>(170,890)</b>	<b>225,212</b>	<b>1,390</b>	<b>(1,007,521)</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Transfers in	642	-	-	-	-	-	-	-	642
Transfers out	(379,125)	-	(294)	-	-	-	-	-	(379,419)
Premiums on debt issuance	14,913	-	-	-	-	6,668	73,922	-	95,503
<b>Total other financing sources and uses</b>	<b>(363,570)</b>	<b>-</b>	<b>(294)</b>	<b>-</b>	<b>-</b>	<b>6,668</b>	<b>73,922</b>	<b>-</b>	<b>(283,274)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>123,197</b>	<b>262</b>	<b>(1,586,942)</b>	<b>9,808</b>	<b>26,578</b>	<b>(164,222)</b>	<b>299,134</b>	<b>1,390</b>	<b>(1,290,795)</b>
<b>FUND BALANCE - beginning of year</b>	<b>3,135,861</b>	<b>7,208</b>	<b>1,586,942</b>	<b>534,112</b>	<b>412,236</b>	<b>435,227</b>	<b>2,188,042</b>	<b>306,344</b>	<b>8,605,972</b>
<b>FUND BALANCE - end of year</b>	<b>\$ 3,259,058</b>	<b>\$ 7,470</b>	<b>\$ -</b>	<b>\$ 543,920</b>	<b>\$ 438,814</b>	<b>\$ 271,005</b>	<b>\$ 2,487,176</b>	<b>\$ 307,734</b>	<b>\$ 7,315,177</b>

The accompanying notes are an integral part of this supplementary information.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 19, 2021

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Smithtown (the Town), New York, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 19, 2021.

**Internal Control over Financial Reporting**

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

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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)**

**Compliance and Other Matters**

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

**Purpose of this Report**

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