

TOWN OF SMITHTOWN, NEW YORK
FINANCIAL STATEMENTS AND REQUIRED REPORTS
December 31, 2021
together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

TOWN OF SMITHTOWN, NEW YORK

CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION (UNAUDITED)	
Principal Officials	i
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	4-16
FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position.....	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	19
Reconciliation of the Balance Sheet – Governmental Funds – to the Statement of Net Position.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	22
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position- Fiduciary Funds.....	23
Notes to Financial Statements	24-57
1. Summary of Significant Accounting Policies	24-33
2. Stewardship Compliance and Accountability	34
3. Detailed Notes on All Funds.....	34-48
4. Commitments and Contingencies.....	49-56
5. Property Tax Abatement	56
6. Subsequent Events	57
7. Cumulative Effect of Change in Accounting Principle.....	57

C O N T E N T S (Continued)

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Unaudited):	
General Fund.....	58
Highway Fund.....	59
Refuse and Garbage Fund.....	60
Schedule of Changes in Total OPEB Liability & Related Ratios (Unaudited).....	61
Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited).....	62
Schedule of Contributions – Pension Plan (Unaudited).....	63

SUPPLEMENTARY INFORMATION

Combining Fund Statements – Nonmajor Governmental Funds:

Combining Balance Sheet.....	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65

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 <i>GOVERNMENT AUDITING STANDARDS</i>	66-67
---	-------

INTRODUCTORY SECTION

TOWN OF SMITHTOWN, NEW YORK
PRINCIPAL OFFICIALS
DECEMBER 31, 2021

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

July 29, 2022

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Smithtown (the Town), New York, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2021, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

1040 Avenue of the Americas, 3rd Floor
New York, NY 10018
p (212) 600-2854

www.bonadio.com

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedule of proportionate share of net pension liability (assets), and schedule of contributions-pension plans 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.

(Continued)

Supplementary 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 accompanying combining fund statements – nonmajor governmental funds 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 fund statements – nonmajor governmental funds are fairly stated in all material respects in relation to the basic financial statements as of and for the year ended December 31, 2021 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2022, 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, 2021

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, 2021. 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 2021 are as follows:

Government-Wide Financial Statements

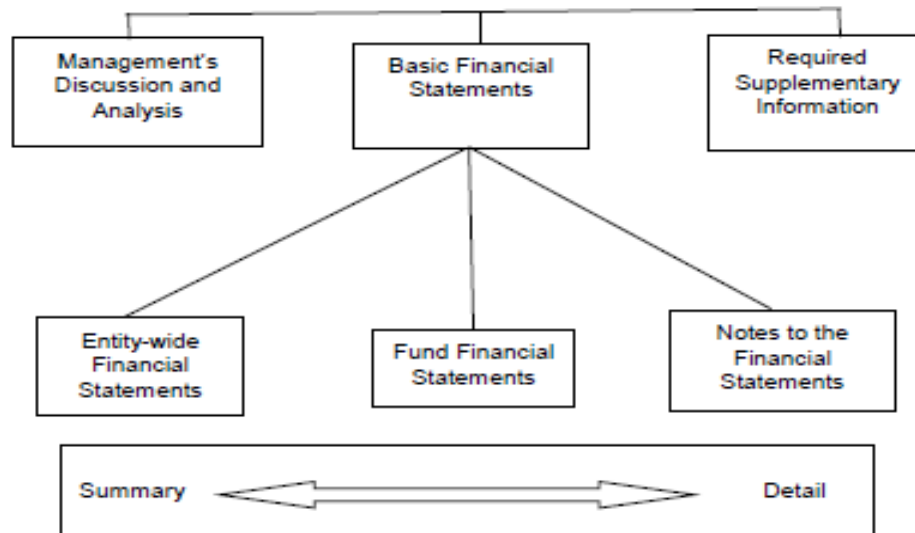
- The assets and deferred outflows of resources of the Town were below its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$137,424,085 primarily due to recording the projected full cost of Other Post employee Benefits (OPEB) – healthcare costs.

Fund Financial Statements

- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$48,905,182 representing an increase in fund balance of \$3,942,753 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$17,079,617, which is 34% of total General Fund expenditures for 2021; an increase from the previous year of \$3,259,151.

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

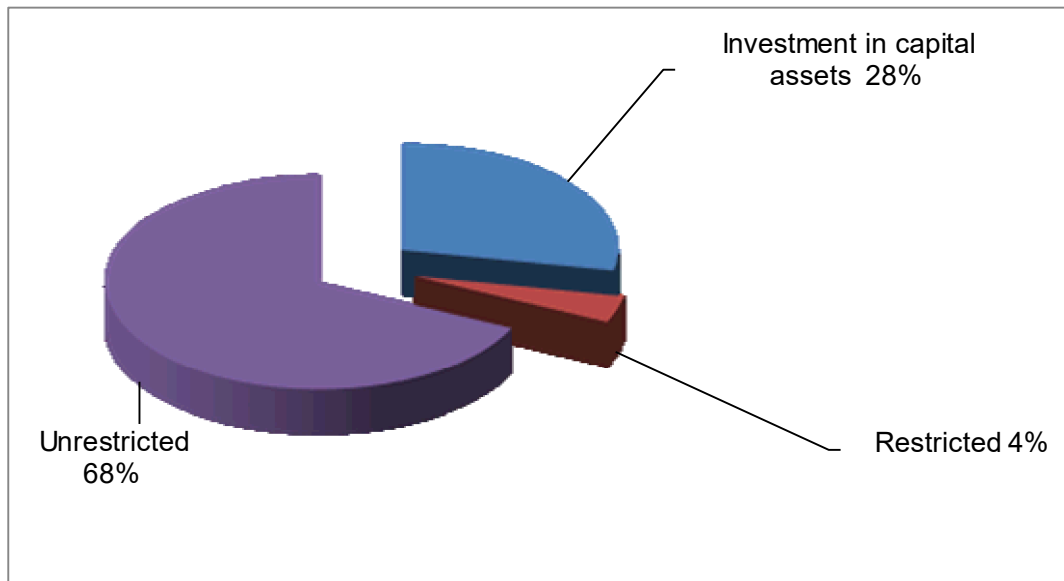
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Town, assets and deferred outflows of resources were below liabilities and deferred inflows of resources by \$137,424,085 at the close of 2021.

NET POSITION

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 83,061,373	\$ 58,410,093	\$ 24,651,280	42.2%
Capital assets, net	150,136,141	144,877,025	5,259,116	3.6%
Other non-current assets	<u>1,109,850</u>	<u>588,000</u>	<u>521,850</u>	88.8%
Total assets	<u>234,307,364</u>	<u>203,875,118</u>	<u>30,432,246</u>	14.9%
Deferred outflows of resources	<u>45,850,982</u>	<u>48,326,375</u>	<u>(2,475,393)</u>	-5.1%
Total assets and deferred outflows	<u>280,158,346</u>	<u>252,201,493</u>	<u>27,956,853</u>	11.1%
Liabilities:				
Current liabilities	39,157,090	18,973,659	20,183,431	106.4%
Non-current liabilities	<u>341,615,956</u>	<u>363,244,641</u>	<u>(21,628,685)</u>	-6.0%
Total liabilities	<u>380,773,046</u>	<u>382,218,300</u>	<u>(1,445,254)</u>	-0.4%
Deferred inflows of resources	<u>36,809,385</u>	<u>1,532,170</u>	<u>35,277,215</u>	2302.4%
Total liabilities and deferred inflows	<u>417,582,431</u>	<u>383,750,470</u>	<u>33,831,961</u>	8.8%
Net position				
Investment in capital assets	106,378,658	104,097,808	2,280,850	2.2%
Restricted	15,392,534	15,941,269	(548,735)	-3.4%
Permanent	308,080	307,734	346	0.1%
Unrestricted	<u>(259,503,357)</u>	<u>(251,895,788)</u>	<u>(7,607,569)</u>	3.0%
Total net position	<u><u>\$(137,424,085)</u></u>	<u><u>\$(131,548,977)</u></u>	<u><u>\$ (5,875,108)</u></u>	4.5%

NET POSITION (CONTINUED)

Net Position Distribution December 31, 2021



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 \$30,432,246 mainly due to an increase in capital assets of \$5,259,116 and an increase in current assets of \$24,651,280.

Deferred outflows of resources decreased by \$2,475,393 due to a decrease of \$7,764,326 in postemployment benefits healthcare costs and an increase of \$5,288,933 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 \$548,735 mainly due to a decrease in funds restricted for capital reserves of \$808,764.

The total net position of the Town as of December 31, 2021 was a deficit of \$137,424,085, a decrease of \$5,875,108 from the prior year. Of the total net position, \$106,378,658 was the net investment in capital assets, while \$15,392,534 was restricted by statute or other specific purpose and \$259,503,357 was the unrestricted deficit.

NET POSITION (Continued)

Total net position deficit was again increased in the current year by \$5,875,108 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 \$3,006,667 change in total liability, bringing the OPEB liability at year end to \$276,897,514 and the related deferred outflow of resources to \$18,414,929. 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 decreased by \$29,772,811 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 2021</u>	<u>Fiscal Year 2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenue:				
Program revenue:				
Charges for services	\$ 40,279,900	\$ 35,515,683	\$ 4,764,217	13.4%
Operating grants and contributions	2,595,799	2,646,107	(50,308)	-1.9%
Capital grants and contributions	2,118,842	1,926,546	192,296	10.0%
General revenue:				
Real property taxes	59,990,489	59,011,251	979,238	1.7%
Other tax items	1,408,220	1,240,677	167,543	13.5%
Non-property tax items	2,719,698	2,707,939	11,759	0.4%
Mortgage tax	8,465,177	6,785,882	1,679,295	24.7%
Use of money and property	598,834	662,192	(63,358)	-9.6%
Sale of property and compensation for loss	1,314,804	515,467	799,337	155.1%
State aid	671,178	862,354	(191,176)	-22.2%
Other	835,340	1,583,911	(748,571)	-47.3%
Total revenue	<u>120,998,281</u>	<u>113,458,009</u>	<u>7,540,272</u>	6.6%
Expenses:				
General support	27,484,776	26,906,614	578,162	2.1%
Public safety	11,099,767	11,701,577	(601,810)	-5.1%
Health	3,520,843	3,857,668	(336,825)	-8.7%
Transportation	32,940,300	40,314,864	(7,374,564)	-18.3%
Economic assistance and opportunity	110	-	110	100.0%
Culture and recreation	14,528,587	15,391,084	(862,497)	-5.6%
Home and community services	36,543,633	30,644,763	5,898,870	19.2%
Interest on debt	755,373	1,135,150	(379,777)	-33.5%
Total expenses	<u>126,873,389</u>	<u>129,951,720</u>	<u>(3,078,331)</u>	-2.4%
Change in Net Position	<u>\$ (5,875,108)</u>	<u>\$ (16,493,711)</u>	<u>\$ 10,618,603</u>	-64.4%

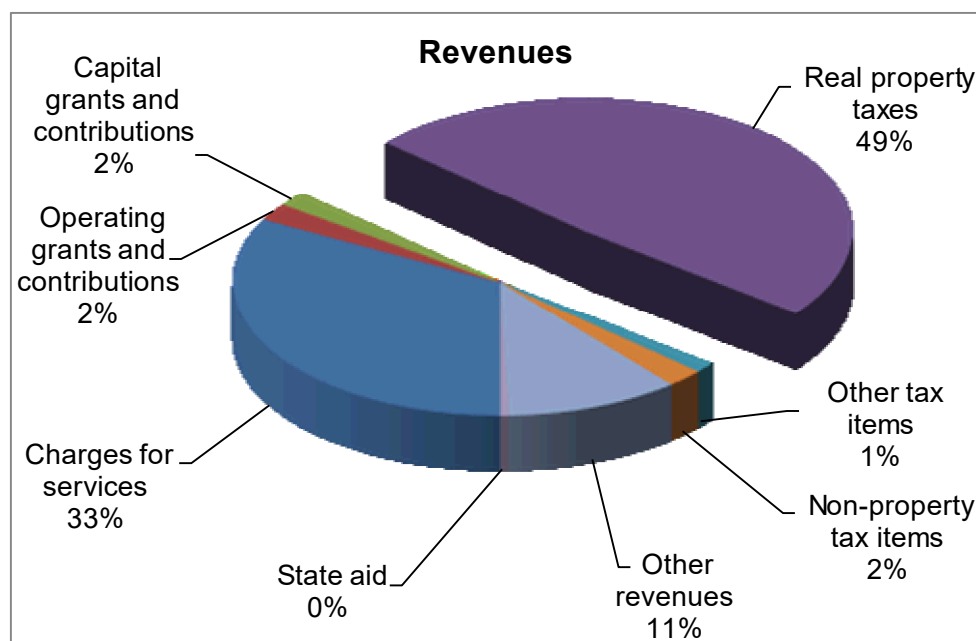
GOVERNMENTAL ACTIVITIES

For the fiscal year ended December 31, 2021, revenues from governmental activities totaled \$120,998,281.

- Tax, other tax items and non-property taxes revenues totaling \$64,118,407 represent the largest revenue source (53%).
- The net increase of \$7,540,272 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 \$979.2 thousand
 - Mortgage tax increased by approximately \$1.7 million
 - Charges for service increased by approximately \$4.7 million

NET COST OF SERVICES:

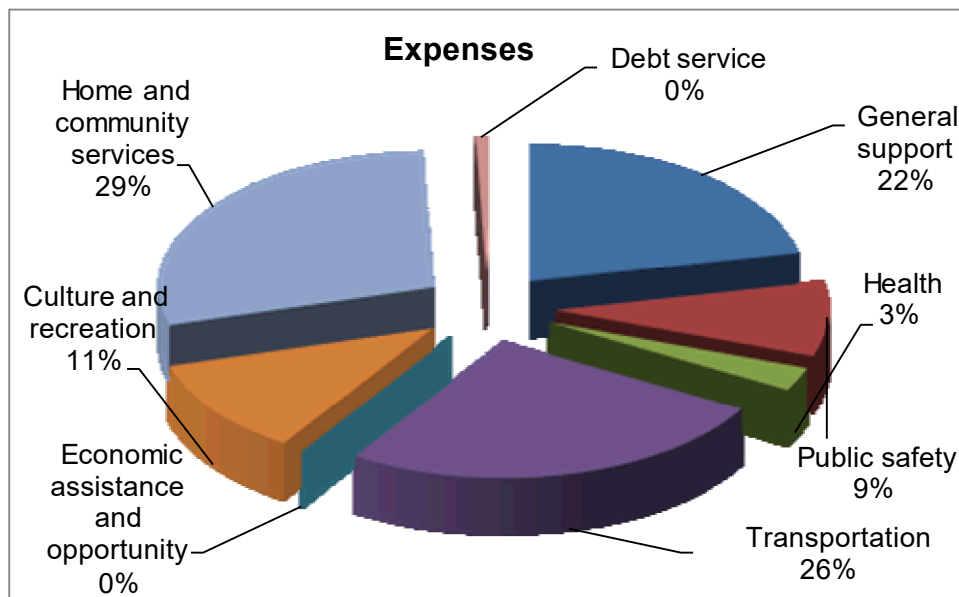
	Total Cost of Services 2021	Total Cost of Services 2020	Total Revenue 2021	Total Revenue 2020	Net Cost of Services 2021	Net Cost of Services 2020
Functions:						
General government support	\$ 27,484,776	\$ 26,906,614	\$ 5,258,386	\$ 4,074,291	\$(22,226,390)	\$(22,832,323)
Public safety	11,099,767	11,701,577	1,820,320	1,697,341	(9,279,447)	(10,004,236)
Health	3,520,843	3,857,668	48,298	339,956	(3,472,545)	(3,517,712)
Transportation	32,940,300	40,314,864	2,205,966	2,076,413	(30,734,334)	(38,238,451)
Economic assistance and opportunity	110	-	-	121,653	(110)	121,653
Culture and recreation	14,528,587	15,391,084	1,783,363	1,201,521	(12,745,224)	(14,189,563)
Home and community services	36,543,633	30,644,763	33,878,208	30,577,161	(2,665,425)	(67,602)
Interest on debt	755,373	1,135,150	-	-	(755,373)	(1,135,150)
Total	\$126,873,389	\$129,951,720	\$ 44,994,541	\$ 40,088,336	\$(81,878,848)	\$(89,863,384)



GOVERNMENTAL ACTIVITIES (Continued)

For the fiscal year ended December 31, 2021, expenses from governmental activities totaled \$126,873,389. The largest components of governmental activities expenses are general governmental support \$27,484,776 (21.6%), public safety \$11,099,767 (8.7%), transportation \$32,940,300 (26%), home and community services \$36,543,633 (28.8%), and culture and recreation \$14,528,587 (11.4%). Expenses decreased from the prior year by \$3,078,331 or 2.4%, primarily as a result of a combination of the following significant factors:

- Public Safety decreased by \$601,810
- Transportation decreased by \$7,374,564
- Culture and Recreation decreased by \$862,497
- Home and community increased by \$5,898,870



	2021	2020
Real property taxes	\$ 59,990,489	\$ 59,011,251
Other real property tax items	1,408,220	1,240,677
Non-property tax items - franchise fees	2,719,698	2,707,939
Mortgage tax	8,465,177	6,785,882
Investment earnings - Unrestricted	598,834	662,192
Other general revenues	2,821,322	2,961,732
Charges for services	40,279,900	35,515,683
Operating grants and contributions	2,595,799	2,646,107
Capital Grants and contributions	2,118,842	1,926,546
	<u>\$120,998,281</u>	<u>\$113,458,009</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 \$48,905,182 an increase of \$3,942,753 compared to last years ending balance of \$44,962,429. The non-spendable fund balance component is \$3,570,958 consisting of amounts representing prepaid items. Fund balance of \$15,392,534 is restricted primarily for capital reserves, special revenue funds and capital project fund restrictions. The assigned fund balance classification aggregates \$12,862,073 consisting primarily of amounts for special revenue funds, and capital projects. The remaining fund balance of \$17,079,617 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 \$17,079,617, representing 74.4% of the total General fund balance of \$22,966,867. This is an increase from the prior year when the total unassigned fund balance was \$13,820,466. This increase in the unassigned general fund balance of \$3,259,151 or 23.58% resulted primarily from a positive budget variance of \$3,689,436 along with appropriations of fund balance for the year of \$962,485.

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 32% in 2021 as compared to 26.8% in the prior year.

The fund balance of the General Fund increased by \$2,726,951 during the fiscal year ended December 31, 2021. This increase was due to the following:

- Actual revenues and other financing sources were greater than the final budget by \$1,355,623, a positive variance of 2.48% of the final budget.
- Actual expenditures and other financing uses were favorable to budget by \$2,333,813 before encumbrances representing a positive variance of 4.19% of the total budget.
- The General Fund balance was reduced by the authorized use of prior year fund balance of \$47,696.
- Additional use of fund balance primarily for capital improvements during the year was \$914,789.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Governmental Funds (Continued)

Contributing factors for the positive revenue variance of \$1,355,623 were Departmental Revenues which was \$480,192 less than budget that mostly consisted of School Age Childcare revenues greater than budget of \$159,264, Commercial Solid Waste revenue greater than budget \$258,771, and Real estate registry fees less than budget of \$804,877, Premium on debt issuance was \$36,750 greater than budget and Mortgage Tax was \$2,111,656 greater than budget and the State Aid Aim payment was greater than budget by \$146,178. Intergovernmental income less than budget by \$130,612 due primarily to a discontinued program and Federal Revenue less than budget for unspent ARPA funds budgeted of \$704,144 and sale of surplus equipment greater than budget of \$146,078 and other tax items greater than budget of \$114,308 also contributed to the variance.

Contributing factors for the positive expense variance of \$2,333,813 were:

- Public Safety salaries of \$14,779, and Health salaries of \$35,608 were mostly due to less part time salaries.
- Other Public Safety expenditures for communications were less than budget by \$30,522
- Culture and Recreation program expenditures and costs were less than budget due to the continuing effect of the pandemic. Most notably were expenditures of \$45,329 for Seniors department programs. Culture and recreation salaries were also less than budget by \$219,604 due to less part time salaries in Seniors department of \$127,543 and Recreation department of \$60,802.
- Home and Community were less than budget for the Contractual and leachate costs of \$98,421. Home and Community salaries were also less than budget by \$41,682.
- Less general government expense compared to budget for salaries of \$22,496, information technology costs \$17,281 and insurance liability costs of \$82,295 all contributed to the variance.
- Employee Benefits were less than budget by \$616,378 the majority of which was for health insurance, debt service for Capital Leased vehicles were less than budget by \$88,390 and unspent transfer to Capital Projects for ARPA funds budgeted of \$704,144.

The Highway Fund total fund balance at the end of the current fiscal year was \$6,011,060, an increase of \$371,009 from the previous year. The increase in fund balance of \$371,009 was primarily due to positive operating variances as compared the final budget before encumbrances of \$1,282,825 and the prior use of fund balance for the year of \$911,816, which was for Appropriated Debt Reserve of \$24,702, Appropriations for prior year encumbrances of \$236,874, Appropriated Surplus of \$438,860 for snow and ice expenditures, and \$211,380 for road maintenance expenditures.

Contributing factors for the operating variance were:

- Positive revenue variance in Sale of property and compensation for loss of \$198,446
- Intergovernmental charges revenues had a positive variance of \$ 108,653
- Premium on debt issuance was grater then budget by \$22,376
- Expenditures were less than budget in total by \$974,425 Most notably:
 - Snow related expenditures were less than budget by \$26,917,
 - Road Maintenance expenditures were below final budget by \$146,745,
 - Machinery expenditures were less than budget by \$291,197 mostly for unused contingency.
 - Employee benefits were less then budget by \$497,838 mostly for Workers Compensation and health insurance.
 - Debt Services for Leased Vehicles were less then budget by \$4,008

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

The Refuse and Garbage Fund reflects a fund balance of \$2,676,509 at the end of the current fiscal year, an increase of \$399,732 from the previous year. The Refuse and Garbage fund had a prior use of fund balance of \$95,703, which was for Appropriated Debt Reserve of \$88,887 and Appropriations for prior year encumbrances of \$6,816. The use of fund balance along with a positive variance to final budget before encumbrances of \$495,435 accounted for the increase of \$399,732.

Contributing factors for the operating variance before encumbrance were:

- State aid increase of \$31,035.
- Sale of Property increase of \$290,114, which was for the sale of refuse for recycling.
- Home and community decrease of \$55,550.
- Employee benefits decrease of \$77,778.

The Capital Projects Fund reflects a fund balance of \$8,250,824 at the end of the current fiscal year, a decrease of \$1,239,684 from the previous year, mainly due to debt issuance proceeds of \$7,911,885 and transfers in of \$7,611,949, grant and other revenue of \$843,937 offset by capital outlay of \$16,019,771 and transfers out of \$1,587,684.

The Other Governmental Funds consisting of eight non-major funds had a total fund balance at the end of the current fiscal year of \$8,999,922, an increase of \$1,684,745 from the previous year. The most notable contributing factors are:

The Town Outside Village had an increase in fund balance of \$683,708. The Town Outside Village had a prior use of fund balance of \$116,913, of which \$82,000 were for capital projects. The use of fund balance along with a positive variance in state grants of \$48,484 and a positive revenue variance of \$256,964 in building permits and \$129,609 in departmental revenue mostly for filing and site plan fees, due to the increased building and planning activity since the pandemic as well as a positive expenditure variance in Public safety of \$22,341 for salaries and general government expenditures of \$32,988 and employee benefits of \$163,330 less than budget and debt service for leased vehicles less than budget by \$21,936 accounted for most of the increase in fund balance.

The **Street Lighting Districts** had a decrease in fund balance of \$55,708. The Street Lighting Districts had a prior use of fund balance of \$57,104, which was for re-encumbrances and appropriated surplus for lighting expenditures. The use of fund balance along with positive variances in real property tax items of \$5,681 and interest income less than budget of \$12,912 and employee benefits less than budget of \$8,007 accounted for most of the decrease in fund balance.

The **Ambulance Districts** had a decrease in fund balance of \$20,955. Ambulance revenue was less than the budget by \$39,683 and Health expenditures were less than budget of \$14,771 accounted for most the decrease.

The **Paul J Fitzpatrick Country Club** had an increase in fund balance of \$61,413. The Paul J Fitzpatrick Country Club had a prior use of fund balance of \$102,147, the majority of which was due to appropriated surplus for building improvements and maintenance. The use of fund balance along with a positive variance mostly due to the increase of revenue for Concession income \$68,000. Reduced expenses for the country club building and maintenance costs resulted in a positive variance of \$47,781 and unused contingency budget of \$46,354 accounted for the increase.

The **Water Districts** had an increase in fund balance of \$1,015,827. Contributing factors to the positive budget variance is a transfer in from Capital Projects fund of \$833,749 to be used for debt service derived from unspent Water Main replacement serial bond project. Unused contingency budget of \$54,843, Employee benefits less than budget of \$34,709, Sale of Surplus Equipment greater than budget of \$45,900 and repair and maintenance expenses less than budget of \$72,840 accounted for the increase.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there was a \$5,259,794 or 10.42% increase in overall spending between the original budget of \$50,437,502 and the final budget of \$55,697,296. 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:

- \$1,571,183 was funded from the surplus in the Mortgage tax revenue received for the transfer to capital projects \$1,471,183 and the Paul J Fitzpatrick Country Club of \$100,000.
- \$118,980 for Special Assessment for the remediation of property.
- \$116,000 from recreation fees for special program recreation.
- \$819,200 was funded from Restricted capital reserve to acquire land for open space.
- \$95,589 from prior year encumbrances transferred over to the current year.
- \$85,000 for marina dock costs funded by miscellaneous sales.
- \$1,860,750 for Federal Aid relating to ARPA expenditures.
- \$492,075 from a Transfer-In from Capital projects for unspent Town funded projects.

Capital Assets

The Town's investment in capital assets for governmental activities at December 31, 2021, net of \$227,822,810 of accumulated depreciation, was \$150,136,141. 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 \$7,140,289 and Park improvements were \$2,775,065.
- Other infrastructure improvements were \$6,560,280, which mainly consisted of the Lake Ave. sewer installation in St. James upgraded the regional fuel facilities.
- Construction in progress additions totaled \$987,057. While dispositions totaled \$5,816,756.
- The Town reported \$646,215 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 \$3,348,840.

Capital Assets (Net of Accumulated Depreciation)

	Fiscal Year 2021	Fiscal Year 2020	Percent Change
Land	\$ 19,467,658	\$ 18,488,234	5.3%
Construction in progress	2,174,762	7,004,461	-69.0%
Buildings and improvements	14,256,303	11,854,499	20.3%
Infrastructure	103,043,374	95,527,076	7.9%
Machinery and equipment	9,861,785	10,757,397	-8.3%
Furniture and office equipment	<u>1,332,259</u>	<u>1,245,358</u>	7.0%
Total capital assets	<u>\$150,136,141</u>	<u>\$144,877,025</u>	3.6%

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 February 2022. 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 \$39,744,670. 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 or 1,395,259,205. At December 31, 2021, the Town had only utilized 2.6% of its constitutional debt limit and had the authority to issue an additional \$1,359,004,435 of general obligation long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town has adopted a budget for 2022 that increased revenue and expenditures by \$2,297,131 over the 2021 adopted budget in the general fund. The general fund budget includes a real property tax increase of approximately 4.93% over 2021. In 2021, no funds in the operating funds were appropriated for the subsequent year's budget.

Overall, the Town's real property tax increased approximately 2.53% in 2022 which did not exceed the tax cap limitation.

The Town receives financial assistance from New York State and Suffolk County. The 2022 budget includes mortgage tax of \$5,032,338. State aid per capita of \$585,000 and state government assistance of \$2,628,718. 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 experienced a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). A national emergency was declared on March 13, 2020 and certain restrictions were placed on residents and business. The economy has since re-opened, however the effects of the pandemic are still being addressed. In 2021 the Federal government approved several relief packages meant to stimulate the economy and reimburse businesses and local governments for losses incurred as a result of the pandemic. The most recent of which is known as ARPA, the American Rescue Plan Act, which provides funds to local governments including the Town of Smithtown. In 2021 the Town received \$5,694,291 and received an additional amount of \$5,694,291 in 2022. 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, 2021**

	Governmental <u>Activities</u>
ASSETS	
Cash - Unrestricted	\$ 68,105,857
Cash - Restricted	3,927,529
Receivables:	
Accounts receivable	3,893,546
Due from other governments	3,871,563
Prepaid items	2,632,443
Other Assets	<u>630,435</u>
Total current assets	<u>83,061,373</u>
Non-current assets:	
Receivables, service concession arrangements, net of current	1,109,850
Non-depreciable capital assets	21,642,420
Depreciable assets, net of accumulated depreciation	<u>128,493,721</u>
Total non-current assets	<u>151,245,991</u>
Deferred outflows of resources:	
Deferred outflows of resources - Postemployment benefits healthcare costs	18,414,929
Deferred outflows of resources - pensions	<u>27,436,053</u>
Total deferred outflows of resources	<u>45,850,982</u>
Total assets and deferred outflows of resources	<u>280,158,346</u>
LIABILITIES	
Accounts payable and accrued liabilities	9,720,161
Accrued interest	46,125
Unearned revenues	21,663,071
Other liabilities	1,184,459
Current portion of long term debt	<u>6,543,274</u>
Total current liabilities	<u>39,157,090</u>
Non-current liabilities:	
Bonds payable	37,180,677
Compensated absences	7,434,133
Net pension liability	113,847
Capital leases	1,493,954
Claims and judgments	1,860,558
Estimated liability for landfill closure and post closure costs	16,003,273
Total other postemployment benefits healthcare	276,897,514
Pollution remediation obligations	<u>632,000</u>
Total long-term liabilities	<u>341,615,956</u>
Total liabilities	<u>380,773,046</u>
Deferred inflows of resources:	
Deferred inflows of resources - Deferred service concession arrangement receipts	1,405,000
Deferred inflows of resources - Other postemployment benefits	1,449,768
Deferred inflows of resources - Pensions	33,144,267
Deferred inflows of resources - Other miscellaneous items	<u>810,350</u>
Total deferred inflows of resources	<u>36,809,385</u>
Total liabilities and deferred inflows of resources	<u>417,582,431</u>
NET POSITION	
Net investment in capital assets	106,378,658
Restricted	15,392,534
Permanent fund:	
Nonspendable	308,080
Unrestricted	<u>(259,503,357)</u>
Total net position	<u>\$ (137,424,085)</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, 2021**

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	\$ 27,484,776	\$ 3,164,011	\$ 2,094,375	\$ -	\$ (22,226,390)
Public safety	11,099,767	1,434,989	385,331	-	(9,279,447)
Health	3,520,843	-	48,298	-	(3,472,545)
Transportation	32,940,300	204,471	67,795	1,933,700	(30,734,334)
Economic opportunity and development	110	-	-	-	(110)
Culture and recreation	14,528,587	1,783,363	-	-	(12,745,224)
Home and community services	36,543,633	33,693,066	-	185,142	(2,665,425)
Interest	755,373	-	-	-	(755,373)
Total governmental activities	<u>\$ 126,873,389</u>	<u>\$ 40,279,900</u>	<u>\$ 2,595,799</u>	<u>\$ 2,118,842</u>	<u>\$ (81,878,848)</u>
GENERAL REVENUES:					
Real property taxes					59,990,489
Other real property tax items					1,408,220
Non-property tax items - franchise fees					2,719,698
Mortgage tax					8,465,177
Investment earnings					598,834
Sale of property and compensation for loss					1,314,804
State aid					671,178
Miscellaneous					835,340
Total general revenues					<u>76,003,740</u>
Change in net position					<u>(5,875,108)</u>
Total net position - beginning of year					<u>(131,548,977)</u>
Net position - end of year					<u>\$ (137,424,085)</u>

The accompanying notes are an integral part of these statements.

TOWN OF SMITHTOWN, NEW YORK

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Refuse and Garbage Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 39,309,704	\$ 5,603,771	\$ 4,556,474	\$ 11,045,689	\$ 7,590,219	\$ 68,105,857
Cash - restricted	3,611,865	-	-	-	315,664	3,927,529
Accounts receivable	1,578,974	83,024	54,205	10,556	1,388,637	3,115,396
Due from other funds	843,192	4,916,386	3,037,069	587,916	4,554,108	13,938,671
Due from other governments	3,022,925	35,809	105,632	551,453	155,744	3,871,563
Prepays and inventory of materials and supplies	<u>1,362,562</u>	<u>1,363,880</u>	<u>169,147</u>	<u>-</u>	<u>367,289</u>	<u>3,262,878</u>
Total assets	<u>\$ 49,729,222</u>	<u>\$ 12,002,870</u>	<u>\$ 7,922,527</u>	<u>\$ 12,195,614</u>	<u>\$ 14,371,661</u>	<u>\$ 96,221,894</u>
LIABILITIES:						
Accounts payable and accrued liabilities	\$ 2,909,707	\$ 660,980	\$ 2,247,126	\$ 3,157,404	\$ 744,944	\$ 9,720,161
Due to other governments	-	-	-	-	-	-
Due to other funds	13,041,193	-	4,285	716,888	176,305	13,938,671
Unearned revenue	9,458,543	4,688,933	2,994,607	70,498	4,450,490	21,663,071
Other liabilities	<u>542,562</u>	<u>641,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,184,459</u>
Total liabilities	<u>25,952,005</u>	<u>5,991,810</u>	<u>5,246,018</u>	<u>3,944,790</u>	<u>5,371,739</u>	<u>46,506,362</u>
DEFERRED INFLOWS OF RESOURCES:						
Other miscellaneous items	<u>810,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>810,350</u>
Total deferred inflows of resources	<u>810,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>810,350</u>
FUND BALANCES:						
Nonspendable	1,362,562	1,363,880	169,147	-	675,369	3,570,958
Restricted	4,192,457	132,461	2,507,362	4,738,748	3,821,506	15,392,534
Assigned	332,231	4,514,719	-	3,512,076	4,503,047	12,862,073
Unassigned	<u>17,079,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,079,617</u>
Total fund balances	<u>22,966,867</u>	<u>6,011,060</u>	<u>2,676,509</u>	<u>8,250,824</u>	<u>8,999,922</u>	<u>48,905,182</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 49,729,222</u>	<u>\$ 12,002,870</u>	<u>\$ 7,922,527</u>	<u>\$ 12,195,614</u>	<u>\$ 14,371,661</u>	<u>\$ 96,221,894</u>

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, 2021

Total fund balance - governmental funds	\$ 48,905,182
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	27,436,053
Postemployment benefits healthcare costs	18,414,929
Deferred inflow of resources not reported in governmental funds, related to the following:	
Pension	(33,144,267)
Postemployment benefits healthcare costs	(1,449,768)
Capital assets used in governmental activities are not current financial resources and; therefore, are not reported in the funds.	150,136,141
Long-term liabilities that are not due and payable in the current period are not reported in the funds:	
General obligation bonds	(39,744,670)
Compensated absences	(8,342,718)
Capital Leases	(2,827,855)
Claims and judgement	(1,860,558)
Net pension liability, proportionate share	(113,847)
Estimated liability for landfill closure and post closure care costs	(16,555,110)
Postemployment benefits healthcare costs	(276,897,514)
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.	(1,184,958)
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.	1,405,000
Deferred inflows, service concession arrangements not reported in the funds.	(1,405,000)
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.	<u>(46,125)</u>
Total net position of governmental activities	<u>\$ (137,424,085)</u>

The accompanying notes are an integral part of these statements.

TOWN OF SMITHTOWN, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General Fund	Highway Fund	Refuse and Garbage Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
REVENUES:						
Real property taxes	\$ 28,109,968	\$ 23,534,612	\$ -	\$ -	\$ 8,345,909	\$ 59,990,489
Other tax items	808,545	401,554	-	-	198,121	1,408,220
Nonproperty tax items	2,719,698	-	-	-	-	2,719,698
Departmental income	10,405,146	-	17,682,899	-	7,863,647	35,951,692
Intergovernmental charges	518,388	202,164	671,322	-	8,714	1,400,588
Use of money and property	563,984	12,043	12,415	-	10,392	598,834
Licenses and permits	128,573	204,471	-	-	2,290,380	2,623,424
Fines and forfeitures	238,229	-	-	-	-	238,229
Sale of property and compensation for loss	453,870	267,140	455,114	25,000	113,680	1,314,804
Interfund revenue	1,630	2,250,587	19,075	-	-	2,271,292
State aid	10,160,468	1,902,196	55,035	86,625	276,660	12,480,984
Federal aid	1,211,712	-	-	93,361	130,906	1,435,979
Miscellaneous	190,978	-	-	638,951	5,411	835,340
Total revenues	55,511,189	28,774,767	18,895,860	843,937	19,243,820	123,269,573
EXPENDITURES:						
General governmental support	15,171,708	-	-	-	273,729	15,445,437
Public safety	3,781,074	-	-	-	3,234,561	7,015,635
Health	789,175	-	-	-	2,124,518	2,913,693
Transportation	1,100,696	15,124,118	-	-	1,236,934	17,461,748
Economic opportunity and development	110	-	-	-	-	110
Culture and recreation	8,152,819	-	-	-	482,708	8,635,527
Home and community services	5,413,794	-	16,314,135	-	6,637,284	28,365,213
Employee benefits	12,654,517	7,497,155	1,822,880	-	3,420,362	25,394,914
Debt service -						
Principal	2,516,799	1,169,673	299,081	-	722,778	4,708,331
Interest	668,252	240,188	60,032	-	235,405	1,203,877
Capital outlay	-	-	-	16,019,771	-	16,019,771
Total expenditures	50,248,944	24,031,134	18,496,128	16,019,771	18,368,279	127,164,256
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,262,245	4,743,633	399,732	(15,175,834)	875,541	(3,894,683)
OTHER FINANCING SOURCES (USES):						
Transfers in	542,495	-	-	7,611,949	1,145,189	9,299,633
Transfers out	(3,114,539)	(4,395,000)	-	(1,587,684)	(202,410)	(9,299,633)
Debt issuance proceeds	-	-	-	6,844,670	2,405,000	9,249,670
Capital lease proceeds	-	-	-	1,067,215	-	1,067,215
Payments to escrow on refunding	-	-	-	-	(2,817,214)	(2,817,214)
Premium on debt issuance	36,750	22,376	-	-	278,639	337,765
Total other financing sources and uses	(2,535,294)	(4,372,624)	-	13,936,150	809,204	7,837,436
CHANGE IN FUND BALANCE	2,726,951	371,009	399,732	(1,239,684)	1,684,745	3,942,753
FUND BALANCE - beginning of year	20,239,916	5,640,051	2,276,777	9,490,508	7,315,177	44,962,429
FUND BALANCE - end of year	\$ 22,966,867	\$ 6,011,060	\$ 2,676,509	\$ 8,250,824	\$ 8,999,922	\$ 48,905,182

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, 2021

Net change in fund balances - governmental funds \$ 3,942,753

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	19,339,961
Depreciation expense	(13,759,597)
Loss on disposition	(321,248)

Net change in deferred outflows of resources:

Pensions	5,288,933
Postemployment benefits healthcare costs	(7,764,326)

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	(9,249,670)
Repayment of debt principal	6,077,090
Compensated absences	(143,630)
Capital Lease proceeds	(1,067,215)
Repayment of capital lease	1,406,250
Claims and judgements	48,548
Net pension liability - proportionate share	29,772,811
Estimated liability for landfill closure and post closure care costs	(2,571,930)
Pollution remediation obligations	-
Postemployment benefits healthcare costs	(3,006,667)
Accrued interest payable	255,460

Net Change in deferred inflows of resources

Pensions	(32,528,142)
Other postemployment benefits	(1,449,768)

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

(144,721)

Change in net position of governmental activities

\$ (5,875,108)

The accompanying notes are an integral part of these statements.

TOWN OF SMITHTOWN, NEW YORK

**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2021**

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>79,586,258</u>
Total assets	\$ <u><u>79,586,258</u></u>
LIABILITIES	
Due to other governments	78,441,605
Other agency liabilities	<u>1,144,653</u>
Total liabilities	\$ <u><u>79,586,258</u></u>
NET POSITION	
Restricted	<u>-</u>
Total net position	\$ <u><u>-</u></u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2021**

	<u>Custodial Fund</u>
ADDITIONS	
Tax collected for other governments	\$ <u>(498,955,883)</u>
Total additions	<u>(498,955,883)</u>
DEDUCTIONS	
Tax remitted to other governments	<u>(498,955,883)</u>
Total deductions	<u>(498,955,883)</u>
Net changes in fiduciary net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these statements.

TOWN OF SMITHTOWN, NEW YORK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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.
- 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 Country 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, 2021.
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, 2021, 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
Furniture and office equipment	5-10

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 \$21,663,071 for real property taxes and unearned grant revenues in the funds. 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 2021.

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, 2021, the Town's carrying value of deposits were \$151,613,844. This amount is inclusive of fiduciary fund deposits of \$79,586,258 and restricted cash of \$3,927,529 but exclusive of petty cash of \$5,800. The bank balance was \$152,213,883. Of the total bank balance, \$5,962,677 was covered by the Federal Depository Insurance Corporation (FDIC), \$79,983,771 was covered by collateral in the Town's name, and \$66,267,435 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, 2021, 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, 2021 Balance	Additions	Disposals	December 31, 2021 Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 18,488,234	\$ 979,424	\$ -	\$ 19,467,658
Construction in progress	<u>7,004,461</u>	<u>987,057</u>	<u>5,816,756</u>	<u>\$ 2,174,762</u>
Total non-depreciable cost	<u>25,492,695</u>	<u>1,966,481</u>	<u>5,816,756</u>	<u>21,642,420</u>
Capital assets that are depreciated:				
Buildings and improvements	25,307,335	2,954,818	82,590	28,179,563
Infrastructure	266,710,256	16,475,634	5,454,242	277,731,648
Machinery and equipment	45,783,444	3,348,840	2,787,160	46,345,124
Furniture and office equipment	<u>3,734,900</u>	<u>410,944</u>	<u>85,648</u>	<u>4,060,196</u>
Total depreciable historical cost	<u>341,535,935</u>	<u>23,190,236</u>	<u>8,409,640</u>	<u>356,316,531</u>
Less accumulated depreciation:				
Buildings and improvements	13,452,836	540,139	69,715	13,923,260
Infrastructure	171,183,180	8,957,657	5,452,563	174,688,274
Machinery and equipment	35,026,047	3,971,065	2,513,773	36,483,339
Furniture and office equipment	<u>2,489,542</u>	<u>290,736</u>	<u>52,341</u>	<u>2,727,937</u>
Total accumulated depreciation	<u>222,151,605</u>	<u>13,759,597</u>	<u>8,088,392</u>	<u>227,822,810</u>
Total cost, net	<u>\$144,877,025</u>	<u>\$ 11,397,120</u>	<u>\$ 6,138,004</u>	<u>\$150,136,141</u>

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

General government support	\$ 1,310,479
Public safety	771,251
Health	589
Transportation	9,078,165
Culture and recreation	1,495,671
Home and community services	<u>1,103,442</u>
Total depreciation expense	<u>\$ 13,759,597</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, 2021, 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 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>
2021	\$ 5,647,420
2020	\$ 5,064,768
2019	\$ 4,761,401

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, 2021, the Town reported a liability of \$113,847 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2021, 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, 2021, the Town's proportion was 0.1143343 percent, which was an increase from its proportion measured December 31, 2020 of 0.1128626 percent.

For the year ended December 31, 2021, the Town recognized pension expense of \$2,968,156 related to the NYS Retirement System. At December 31, 2021, 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	\$ 1,390,383	\$ -
Changes of Assumptions	20,932,822	394,799
Net difference between projected and actual earnings on pension plan investments	-	32,703,610
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	877,282	45,858
Contributions subsequent to the measurement date	4,235,566	-
Total	<u>\$ 27,436,053</u>	<u>\$ 33,144,267</u>

At December 1, 2021, \$4,235,566 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, 2022.

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,	2022	(1,650,703)
	2023	(474,392)
	2024	(1,624,343)
	2025	(6,194,342)
	2026	-
	Thereafter	-
		<u>\$ (9,943,780)</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, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. The actuarial valuation used the following actuarial assumptions:

Inflation	2.70%
Salary scale	4.4% in ERS, indexed by service
Investment Rate of Return, including inflation	5.9% compounded annually, net of investment expenses
Cost of living adjustments	1.4% annually
Decrements	Developed from the Plan's 2020 experience study of the period April 1, 2015 through March 31, 2020
Mortality improvement	Society of Actuaries Scale MP-2020

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, 2021 in the following table:

Long-term Expected Rate of Return

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	32%	4.05%
International Equity	15%	6.30%
Private Equity	10%	6.75%
Real Estate	9%	4.95%
Opportunistic/Absolute Return Strategy	3%	4.50%
Credit	4%	3.63%
Real Assets	3%	5.95%
Fixed Income	23%	0.00%
Cash	1%	0.50%
	<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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 5.9 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>(4.90%)</u>	Assumption <u>(5.90%)</u>	1% Increase <u>(6.90%)</u>
Proportionate Share of Net Pension liability	\$ 31,599,582	\$ 113,847	\$ (28,923,369)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the plan as of March 31, 2021, were as follows:

	<u>Pension Plan's Fiduciary Net Position</u>
Total pension liability	\$ 220,680,157,000
Net position	<u>220,580,583,000</u>
Net pension liability (asset)	<u>\$ 99,574,000</u>
Fiduciary net position as a percentage of total pension liability	99.95%

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 .05% to 4.00% and have maturity dates from 2029 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, 2021:

	Beginning 1/1/2021	Issued	Redeemed	Balance 12/31/2021
Governmental activities				
Major Funds:				
General	\$ 19,311,196	\$ 4,272,238	\$ 2,498,361	\$ 21,085,073
Highway	6,637,983	3,131,797	1,503,624	8,266,156
Refuse and Garbage	2,259,556	459,344	696,753	2,022,147
Nonmajor Funds:				
Town Outside Village	1,575,815	990,711	557,364	2,009,162
Paul J. Fitzpatrick Country Club	345,570	40,600	18,700	367,470
Street Lighting Districts	2,785,346	284,243	564,358	2,505,231
Water Districts	3,656,624	70,737	237,930	3,489,431
Total governmental activity	<u>\$ 36,572,090</u>	<u>\$ 9,249,670</u>	<u>\$ 6,077,090</u>	<u>\$ 39,744,670</u>

Bonds Payable

Bonds payable at December 31, 2021 are comprised of the following individual issues:

Bond Issue	Original	Issued	Maturity	Interest Rate	Balance
General Obligation Serial Bonds - 2010	\$ 3,456,000	2010	2029	3.000%-3.250%	\$ 1,660,000
General Obligation Serial Bonds - 2015	5,770,710	2015	2030	2.000%-2.500%	3,345,000
General Obligation Serial Bonds - 2016	5,365,000	2016	2031	2.000%-2.500%	2,690,000
General Obligation Serial Bonds - 2017	4,086,390	2017	2032	2.000%-2.375%	2,885,000
General Obligation Serial Bonds - 2018	3,544,380	2018	2033	3.000%	2,350,000
General Obligation Serial Bonds - 2019	9,192,260	2019	2039	3.000%	8,135,000
General Obligation Serial Bonds - 2020	10,037,090	2020	2040	2.000%	9,770,000
Refunding Bonds - 2021	2,405,000	2021	2028	3.000%-4.000%	2,065,000
General Obligation Serial Bonds - 2021	6,844,670	2021	2036	0.050%-4.000%	6,844,670
					<u>\$ 39,744,670</u>

Interest at December 31, 2021 was as follows:

Interest paid - long-term debt	\$ 1,203,877
Less: Interest accrued in the prior year	(301,585)
Amortization on bond premiums	(193,044)
Plus: Interest accrued in the current year	<u>46,125</u>
 Total expense	 <u>\$ 755,373</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, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Fiscal Year Ending December 31,</u>			
2022	\$ 3,659,670	\$ 1,004,995	\$ 4,664,665
2023	3,735,000	857,774	4,592,774
2024	3,585,000	763,949	4,348,949
2025	3,525,000	670,974	4,195,974
2026	3,445,000	575,249	4,020,249
2027-2031	14,135,000	1,600,031	15,735,031
2032-2036	6,725,000	338,943	7,063,943
2037-2041	<u>935,000</u>	<u>38,550</u>	<u>973,550</u>
Totals	<u>\$ 39,744,670</u>	<u>\$ 5,850,465</u>	<u>\$ 45,595,135</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 2021 was \$498,256. After the 2021 principal payment of \$246,945, the ending principal was \$251,311 at December 31, 2021

In January 2016, the Town entered into a Fleet Management Master Equity Lease Agreement with Enterprise Fleet Management Inc. At December 31, 2021, the principal amount outstanding was \$1,831,616. 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, 2021 the principal amount outstanding was \$413,178 for the two leases.

In 2021, the Town entered into a Highway Equipment Lease for \$421,000 with an interest rate of 3.0%. At December 31, 2021, the principal amount outstanding was \$331,750.

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>			
2022	\$ 1,207,869	\$ 200,505	\$ 1,408,374
2023	757,420	145,635	903,055
2024	514,944	71,618	586,562
2025	297,428	45,007	342,435
2026	<u>50,194</u>	<u>10,534</u>	<u>60,728</u>
Totals	<u>\$ 2,827,855</u>	<u>\$ 473,299</u>	<u>\$ 3,301,154</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, 2021 as follows:

	Asset Cost	Accumulated Depreciation	Net Book Value
Machinery and equipment	\$ 7,186,480	\$ 5,104,355	\$ 2,082,125
Furniture and office equipment	<u>6,504</u>	<u>6,504</u>	<u>-</u>
	<u>\$ 7,192,984</u>	<u>\$ 5,110,859</u>	<u>\$ 2,082,125</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.

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
General obligation bonds	\$ 36,572,090	\$ 9,249,670	\$ 6,077,090	\$ 39,744,670	\$ 3,659,670
Plus					
Premiums on issuance	<u>1,040,237</u>	<u>\$ 337,765</u>	<u>\$ 193,044</u>	<u>1,184,958</u>	<u>89,281</u>
	<u>37,612,327</u>	<u>\$ 9,587,435</u>	<u>\$ 6,270,134</u>	<u>40,929,628</u>	<u>3,748,951</u>
Compensated absences	8,199,088	\$ 143,630	\$ - (A)	8,342,718	908,585
Capital leases	3,166,890	\$ 1,067,215	\$ 1,406,250	2,827,855	1,333,901
Claims and judgments	1,909,106	\$ -	\$ 48,548	1,860,558	-
Net pension liability, proportionate share	29,886,658	\$ -	\$ 29,772,811 (A)	113,847	-
Estimated liability for landfill closure and postclosure care costs	13,983,180	\$ 2,571,930	\$ -	16,555,110	551,837
Pollution remediation obligations	632,000	\$ -	\$ -	632,000	-
Postemployment benefits healthcare costs	<u>273,890,847</u>	<u>\$ 11,481,314</u>	<u>\$ 8,474,647</u>	<u>276,897,514</u>	<u>-</u>
Total other liabilities	<u>331,667,769</u>	<u>\$ 15,264,089</u>	<u>\$ 39,702,256</u>	<u>307,229,602</u>	<u>2,794,323</u>
Total long-term liabilities	<u>\$369,280,096</u>	<u>\$ 24,851,524</u>	<u>\$ 45,972,390</u>	<u>\$348,159,230</u>	<u>\$ 6,543,274</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 Statement 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)

The Town provides health insurance and Medicare Part B reimbursements to its eligible retirees and their spouses. The benefits are provided through fully insured plans that are sponsored by New York State Health Insurance Plan (NYSHIP) and Emblem Health (HIP).

Employees are required to reach age 55 and have a minimum of 10 to 15 years of service, or satisfy the requirements for disability retirement, to qualify for OPEB. The Town pays from 85% to 100% of the retiree's medical benefits depending on the employee's union contract or employee class (CSEA Union, SAG Union or exempt). The Town contributes towards the cost of eligible spouses during the retiree's lifetime. While the retiree is living the Town will pay the same percentage of the spouse's medical premium as it does of the retiree's medical premium. Upon the retiree's death eligible surviving spouses may continue receiving benefits that are subsidized by the Town by contributing 25% of the medical premium. NYSHIP regulations require the Town to continue payment of the Medicare Part B reimbursement for eligible survivors that remain in the plan. The surviving spouse contribution rate for the Medicare Part B premium continues to be zero. All benefits are paid for the lifetime of the retiree. 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, 2021, 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 \$276,897,514 was measured as of December 31, 2021 and was determined by actuarial valuation as of January 1, 2021. The changes in the OPEB liability are as follows:

Balance at December 31, 2020	<u>\$273,890,847</u>
Changes for the Year	
Service cost	5,936,355
Interest	5,544,959
Contributions	(6,810,098)
Assumption changes	<u>(1,664,549)</u>
Net changes	<u>3,006,667</u>
Balance at December 31, 2021	<u><u>\$276,897,514</u></u>

3. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-Term Liabilities (Continued)

Other Post Employment Benefit Obligations Payable (Continued)

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:

Inflation	6.80%
Payroll Growth	3.00%
Discount Rate	2.05%
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

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.

Mortality was based on the SOA RP-2014 total Dataset mortality with Scale MP-2019 (Base Year 2006).

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>(1.05%)</u>	Current Discount <u>(2.05%)</u>	1% Increase <u>(3.05%)</u>
Total OPEB Liability	<u>\$340,242,000</u>	<u>\$276,897,514</u>	<u>\$229,649,341</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>\$224,580,015</u>	<u>\$276,897,514</u>	<u>\$348,028,203</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, 2021, the Town recognized OPEB expense of \$19,030,859. At December 31, 2021, the Town reported deferred outflows of resources related to OPEB as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions and Actual vs. expected	\$ 10,200,535	\$ -
Changes in assumption	<u>8,214,394</u>	<u>1,449,768</u>
Total	<u>\$ 18,414,929</u>	<u>\$ 1,449,768</u>

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

<u>Fiscal Year Ending December</u>	<u>Amount</u>
2022	7,549,545
2023	5,078,608
2024	1,213,809
2025	1,213,809
2026	1,213,809
2027	856,663
2028	(161,082)
Thereafter	<u>-</u>
	<u>\$ 16,965,161</u>

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

At December 31, 2021, 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	\$ 843,192	\$ 13,041,193
Highway Fund	4,916,386	-
Refuse and Garbage Fund	3,037,069	4,285
Capital Projects Fund	587,916	716,888
Nonmajor Funds:		
Town Outside Village	951,731	6,720
Special Grants	-	160,560
Street Lighting Districts	2,022,434	-
Ambulance	1,021,545	-
Paul J. Fitzpatrick Country Club	299	-
Water Districts	558,099	9,025
Debt Service	-	-
	<u>13,938,671</u>	<u>13,938,671</u>
 Total government activities	 <u>13,938,671</u>	 <u>13,938,671</u>
 Custodial fund	 <u>-</u>	 <u>-</u>
 Total	 <u>\$ 13,938,671</u>	 <u>\$ 13,938,671</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	\$ 542,495	\$ 3,114,539
Highway Fund	-	4,395,000
Refuse and Garbage Fund	-	-
Capital Projects Fund	7,611,949	1,587,684
Nonmajor Funds:		
Town Outside Village	1,265	202,410
Special Grants	-	-
Street Lighting Districts	-	-
Paul J. Fitzpatrick Country Club	100,000	-
Water Districts	833,749	-
Debt Service	210,175	-
	<u>9,299,633</u>	<u>9,299,633</u>
 Total government activities	 <u>\$ 9,299,633</u>	 <u>\$ 9,299,633</u>

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables and Transfers (Continued)

Interfund Receivables and Payables (Continued)

Transfers are used to move amounts earmarked in the operating funds to fulfill commitments for Capital Projects Fund expenditures, and to return funds from the Capital Projects Fund to the fund of origin when a project is completed and there are unspent funds remaining.

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	\$ -	\$ -	\$ -	\$ -	\$ 308,080	\$ 308,080
Prepays	1,362,562	1,363,880	169,147	-	367,289	3,262,878
Total Nonspendable	1,362,562	1,363,880	169,147	-	675,369	3,570,958
Restricted:						
Debt service	580,592	132,461	260,360	-	976,590	1,950,003
Capital projects	-	-	-	-	-	-
Purchases on order and/or contractual obligations	-	-	9,531	1,587,103	22,067	1,618,701
Special revenue funds	-	-	2,237,471	-	2,815,265	5,052,736
Park and land deposits	34,828	-	-	-	-	34,828
Capital reserves	3,269,187	-	-	3,151,645	-	6,420,832
Other reserves	307,850	-	-	-	7,584	315,434
Total Restricted	4,192,457	132,461	2,507,362	4,738,748	3,821,506	15,392,534
Assigned:						
Subsequent year's budget	-	-	-	-	-	-
Capital projects	-	-	-	2,218,972	-	2,218,972
Purchases on order and/or contractual obligations	136,083	18,936	-	1,293,104	39,613	1,487,736
Special revenue funds	-	4,495,783	-	-	4,227,341	8,723,124
Permanent fund	-	-	-	-	-	-
Other assignments	196,148	-	-	-	236,093	432,241
Total Assigned	332,231	4,514,719	-	3,512,076	4,503,047	12,862,073
Unassigned						
General Fund	17,079,617	-	-	-	-	17,079,617
Total Unassigned	17,079,617	-	-	-	-	17,079,617
Total fund balances	\$ 22,966,867	\$ 6,011,060	\$ 2,676,509	\$ 8,250,824	\$ 8,999,922	\$ 48,905,182

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 \$1,415,000. 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 \$37,749,604 excluding windstorm and hail damage. Boats included in the building & personal property limit. Boiler and machinery included in the building limit. The policy also excludes new "frame" buildings in the course of construction. Inland Marine Policy covering schedule and unscheduled equipment, \$4,741,078/\$25,000 deductible. EDP equipment of \$750,000/\$25,000 deductible.

General and Auto Liability/Cyber Liability

The Town's general liability policy coverage is \$1 million per occurrence/\$3 million general aggregate excess, \$1.5 million for self-insured retention. The Auto policy is \$1 million per occurrence with excess \$1.5 million self-insured retention. Law enforcement liability is \$1 million per occurrence/\$1 aggregate with excess \$1.5 million self-insured retention. Public Officials liability is \$1 million per occurrence/\$1 million aggregate with excess \$250 thousand self-insured retention. Employment practices liability is \$1 million per cooccurrence/\$1 million aggregate with excess \$100 self-insured retention. Cyber liability is \$1 million/\$100 thousand deductible.

The Town carries \$10,000,000 per occurrence and \$10,000,000 in the aggregate excess over the above underlying limits and aggregates apply to each coverage separately (auto not aggregated).

The Town carries an additional \$10,000,000 per occurrence and \$10,000,000 in the aggregate (aggregate not applicable to auto) in higher excess limits.

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	
	2021	2020	2021	2020
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 1,755,833	\$ 1,467,500	\$ 153,273	\$ 233,691
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	275,000	718,333	14,507	-
Payments:				
Claims and claim adjustment expenditures attributable to insured events of the current and prior years	<u>338,055</u>	<u>430,000</u>	<u>-</u>	<u>80,418</u>
Total unpaid claims and claim adjustment expenditures at the end of the year	<u>\$ 1,692,778</u>	<u>\$ 1,755,833</u>	<u>\$ 167,780</u>	<u>\$ 153,273</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, 2021, there were numerous taxpayers' claims pending for the redetermination of assessed valuations (certiorari proceedings) for assessment through 2021. 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 \$518,500 per year for 2021. Actual costs for Cells 1-5 and Cell 6 were \$114,865 and \$326,964 respectively, for the year ended December 31, 2021. The remaining postclosure costs for Cells 1-5 and Cell 6 approximates \$4,635,000 and \$11,920,110 respectively.

Accordingly, as of December 31, 2021, the Town has recorded an estimated liability of \$ 16,555,110 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, \$47,534 was spent in 2020 and \$52,191 in 2021 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 \$2,880,207 at December 31, 2021.

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 2021, 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 Road agreements with Villages and School District for road repair and maintenance expiring in 2022.
- Annual Traffic agreements with villages for installation of traffic signs, pavement markings and traffic engineering services expiring in 2022.
- A 2-year agreement exists for use of Town Personnel in the Village of Head of the Harbor for Fire Marshals, Animal Shelter Personnel and Ordinance Inspectors to make inspections and enforce violations of NYS Uniform Fire Prevention, building codes and Town and Village ordinances. It expires in December 2022 with 3-one-year extensions available.
- Three Year agreements for the Town to provide shared records management exist for the following Villages and Fire Districts expiring in 2021 and are on auto-renewal for an additional three years, unless notice of termination is received:
 - Village of Head of the Harbor
 - Village of the Branch
 - Village of Nissequoque
 - Smithtown Fire District
 - Nesconset Fire District
 - St. James Fire District
 - Commack Fire District (2020 Agreement)
- Annual agreement with the Incorporated Village of Nissequoque for snow and ice removal until September 2022. Also, for the use of Town Fire Marshals and/or other qualified personnel to make inspections and enforce violations.

4. COMMITMENTS AND CONTINGENCES (Continued)

G. MUNICIPAL COOPERATION AGREEMENTS (Continued)

- 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.
- 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 delivers it to the Town of Brookhaven. This agreement expired in 2021 and was renewed until 2022.
- An agreement with the Town of Brookhaven to accept construction and demolition debris at the Brookhaven Landfill expires January 28, 2023.
- Agreement with the following entities to utilize fuel pumps at Town-Owned filling stations for their authorized vehicles and equipment. Kings Park Central School District and Smithtown Library have 5-year term agreements started in 2017 with yearly auto renewal. All other agreements were entered into in 2018 and do not expire:
 - 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
- Agreement 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 expiring on November 21, 2021. The Village of Lloyd Harbor filed an extension expiring in 2022.
- 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, 2021 and has renewed for 2022.
- Annual agreements with Commack Fire District, Hauppauge Fire District, Kings Park Fire District, Nesconset Fire District, St. James Fire District, Smithtown Fire District and the Village of Nissequogue for the use of the Edward Mankuski Fire Training Center expiring in 2022.
- 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.
- Annual agreements with the Nesconset Fire District, Kings Park Fire District, St. James Fire District, Smithtown Fire District, Central Islip/Hauppauge Ambulance, Inc, Commack Volunteer Ambulance Corps. and the Village of Nissequogue for the use of the Town's emergency vehicle traffic signal pre-emption equipment are in process of renewal.

4. COMMITMENTS AND CONTINGENCES (Continued)

G. MUNICIPAL COOPERATION AGREEMENTS (Continued)

- IMA with Brookhaven and Oyster Bay – Allow Town of Smithtown and Town of Oyster Bay to benefit from Town of Brookhaven’s agreement with The Research Foundation for SUNY on behalf of Stonybrook University (SBU). An economic assessment of glass recycling options will be performed.
- IMA with Smithtown Library District – Allows Town employees to work in the library parking lots to perform maintenance for paving and other improvements. This limited time agreement expired in 2021.
- Annual agreements with Kings Park Central School District to utilize the Town’s non-residential Solid Waste Disposal System and for the Town Highway Department to perform road maintenance work, snow removal and supplies expiring in 2022.
- Annual agreement with Smithtown Central School District to have Town Highway Department perform snow removal and supply materials at school facilities.
- Annual agreement with Nesconset, Nissequogue and St. James Fire Districts providing dispatch services by the Town terminated in June 2021.

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 \$8,033,916 for 2021, 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 \$4,700,000 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, 2021 are as follows:

<u>Fiscal Year Ending December 31,</u>		
2022	\$	675,316
2023		467,756
2024		412,843
2025		310,167
2026		304,381
2027-2030		<u>738,240</u>
Totals	\$	<u>2,908,703</u>

4. COMMITMENTS AND CONTINGENCIES (Continued)

J. LEASE COMMITMENTS AND LEASED ASSETS (Continued)

The Town leases office equipment under non-cancelable leases that commenced between December 2016 and December 2021 and expire between December 2020 and February 2025. Total rental expenditures on such leases for the year ended December 31, 2021 totaled \$59,394. The minimum future non-cancelable operating lease payments are as follows:

<u>Fiscal Year Ending December 31.</u>	
2022	\$ 50,100
2023	44,027
2024	24,507
2025	<u>2,458</u>
Totals	<u>\$ 121,092</u>

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, 2021 amount to \$308,080 including \$346 in 2021 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 \$145,000 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, 2021, the Town reports a receivable and a deferred inflow of resources in the amount of \$145,000, of which \$145,000 will be received in 2022.

4. COMMITMENTS AND CONTINGENCIES (Continued)

L. SERVICE CONCESSION ARRANGEMENTS(Continued)

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 and again in 2021, other amendments were issued that extends the agreement through 2029. 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 \$2,100 each year. The value of these payments is estimated to be \$1,260,000 for the remaining period ending December 31, 2029, 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, 2021, the Town reports a receivable and a deferred inflow of resources in the government-wide statements in the amount of \$1,260,000, of which \$150,150 will be received in 2022.

At December 31, 2021, the value of the two Service Concession Arrangements combined is \$1,405,000 of which \$295,150 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, 2021, 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, 2021, the agreements the SCIDA approved resulted in an abatement of \$1,530,383 of the Town's real property taxes and the receipt of \$1,051,175 in PILOT payments.

6. SUBSEQUENT EVENTS

In March 2022, the Town issued \$4,329,745 of 2022 Series A public improvement non-taxable serial bonds for various capital projects and \$525,000 of 2022 Series B public improvement taxable serial bonds for various capital projects. Series A mature in February 2037 and Series B mature in February 2032. The premium on Series A bonds was \$9,492 resulting in an effective net interest rate of 2.29% Series B effective interest is 2.49%

The American Rescue Plan Act is projected to provide the Town with funds 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. In 2021, the Town received \$5,694,291 and received an additional \$5,694,291 in 2022.

7. NEW PRONOUNCEMENTS

The following statements have been issued by the Governmental Accounting Standards Board (GASB) and are to be implemented in the years ending after December 31, 2021:

Statement No. 87, "Leases," the objective of which is to improve accounting and financial reporting for leases by governments. This Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for financial statements for the year ending December 31, 2022.

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

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, 2021**

	General Fund				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbrances	
REVENUES:					
Real property taxes	\$ 28,109,968	\$ 28,109,968	\$ 28,109,968	\$ -	\$ -
Other tax items	575,257	694,237	808,545	-	114,308
Nonproperty tax items	2,730,000	2,730,000	2,719,698	-	(10,302)
Departmental income	10,659,338	10,885,338	10,405,146	-	(480,192)
Intergovernmental charges	649,000	649,000	518,388	-	(130,612)
Use of money and property	451,290	451,290	563,984	-	112,694
Licenses and permits	141,850	141,850	128,573	-	(13,277)
Fines and forfeitures	191,802	192,902	238,229	-	45,327
Sale of property and compensation for loss	305,050	307,792	453,870	-	146,078
Interfund revenues	-	-	1,630	-	1,630
State aid	6,160,502	7,731,685	10,160,468	-	2,428,783
Federal aid	300,000	2,160,750	1,211,712	-	(949,038)
Miscellaneous	115,749	187,924	190,978	-	3,054
Total revenues	50,389,806	54,242,736	55,511,189	-	1,268,453
EXPENDITURES:					
General governmental support	14,694,031	15,351,733	15,171,707	41,586	138,440
Public safety	3,569,748	3,874,512	3,781,074	47,661	45,777
Health	1,042,587	863,707	789,175	-	74,532
Transportation	1,046,012	1,116,710	1,100,696	9,082	6,932
Economic opportunity and development	250	250	110	-	140
Culture and recreation	7,869,574	8,514,867	8,152,819	14,218	347,830
Home and community services	5,584,163	5,612,497	5,413,794	23,536	175,167
Employee Benefits	13,350,855	13,270,895	12,654,517	-	616,378
Debt service - principal	2,579,466	2,579,466	2,516,800	-	62,666
Debt service - interest	700,816	693,976	668,252	-	25,724
Total expenditures	50,437,502	51,878,613	50,248,944	136,083	1,493,586
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(47,696)	2,364,123	5,262,245	(136,083)	2,762,039
OTHER FINANCING SOURCES (USES):					
Transfers in	-	492,075	542,495	-	50,420
Transfers out	-	(3,818,683)	(3,114,539)	-	704,144
Premiums on debt issuance	-	-	36,750	-	36,750
Total other financing sources and uses	-	(3,326,608)	(2,535,294)	-	791,314
CHANGE IN FUND BALANCE	(47,696)	(962,485)	2,726,951	(136,083)	3,553,353
FUND BALANCE - beginning of year			20,239,916		
FUND BALANCE - end of year			\$ 22,966,867		

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, 2021**

	Highway Fund				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbrances	
REVENUES:					
Real property taxes	\$ 23,534,612	\$ 23,534,612	\$ 23,534,612	\$ -	\$ -
Other tax items	362,627	362,627	401,554	-	38,927
Intergovernmental charges	75,000	93,511	202,164	-	108,653
Use of money and property	53,000	53,000	12,043	-	(40,957)
Licenses and permits	246,000	246,000	204,471	-	(41,529)
Sale of property and compensation for loss	-	68,694	267,140	-	198,446
Interfund revenue	2,228,103	2,228,103	2,250,587	-	22,484
State aid	1,337,116	1,902,196	1,902,196	-	-
Federal aid	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>27,836,458</u>	<u>28,488,743</u>	<u>28,774,767</u>	<u>-</u>	<u>286,024</u>
EXPENDITURES:					
Transportation	13,975,843	15,588,977	15,124,118	18,936	445,923
Employee benefits	8,022,978	7,994,993	7,497,155	-	497,838
Debt service - principal	1,191,096	1,174,580	1,169,673	-	4,907
Debt service - interest	276,243	247,009	240,188	-	6,821
Total expenditures	<u>23,466,160</u>	<u>25,005,559</u>	<u>24,031,134</u>	<u>18,936</u>	<u>955,489</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,370,298</u>	<u>3,483,184</u>	<u>4,743,633</u>	<u>(18,936)</u>	<u>1,241,513</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(4,395,000)	(4,395,000)	(4,395,000)	-	-
Premiums on debt issuance	-	-	22,376	-	22,376
Total other financing sources and uses	<u>(4,395,000)</u>	<u>(4,395,000)</u>	<u>(4,372,624)</u>	<u>-</u>	<u>22,376</u>
CHANGE IN FUND BALANCE	(24,702)	(911,816)	371,009	(18,936)	1,263,889
FUND BALANCE - beginning of year			<u>5,640,051</u>		
FUND BALANCE - end of year			<u>\$ 6,011,060</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, 2021**

	Refuse and Garbage Fund				
	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	Variance with Final Budget Positive (Negative)
REVENUES:					
Departmental income	\$ 17,611,141	\$ 17,611,141	\$ 17,682,899	\$ -	\$ 71,758
Intergovernmental charges	673,711	673,711	671,322	-	(2,389)
Use of money and property	60,000	60,000	12,415	-	(47,585)
Fines and forfeitures	-	-	-	-	-
Sale of property and compensation for loss	50,000	165,000	455,114	-	290,114
Interfund revenues	-	-	19,075	-	19,075
State aid	24,000	24,000	55,035	-	31,035
Miscellaneous	-	-	-	-	-
Total revenues	<u>18,418,852</u>	<u>18,533,852</u>	<u>18,895,860</u>	<u>-</u>	<u>362,008</u>
EXPENDITURES:					
Home and community services	16,195,363	16,369,685	16,314,135	9,531	46,019
Employee benefits	1,953,164	1,900,658	1,822,880	-	77,778
Debt service - principal	295,754	299,081	299,081	-	-
Debt service - interest	<u>63,458</u>	<u>60,131</u>	<u>60,032</u>	<u>-</u>	<u>99</u>
Total expenditures	<u>18,507,739</u>	<u>18,629,555</u>	<u>18,496,128</u>	<u>9,531</u>	<u>123,896</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(88,887)</u>	<u>(95,703)</u>	<u>399,732</u>	<u>(9,531)</u>	<u>485,904</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Premiums on debt issuance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	(88,887)	(95,703)	399,732	(9,531)	485,904
FUND BALANCE - beginning of year			<u>2,276,777</u>		
FUND BALANCE - end of year			<u>\$ 2,676,509</u>		

TOWN OF SMITHTOWN, NEW YORK

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Last Ten Fiscal Years *	Last Ten Fiscal Years *	Last Ten Fiscal Years *	Last Ten Fiscal Years *
	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 5,936,355	\$ 5,815,464	\$ 6,923,951	\$ 8,073,512
Interest	5,544,959	5,156,718	10,054,790	9,080,053
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	-	-	-
Contributions from employer	(6,810,098)	(6,871,944)	-	-
Changes in assumptions	(1,664,549)	11,071,574	-	(29,010,649)
Benefit payments	-	-	(6,996,952)	(6,721,373)
Total change in total OPEB liability	3,006,667	15,171,812	9,981,789	(18,578,457)
OPEB Plan Fiduciary Position	-	-	-	-
Total OPEB liability - beginning	<u>273,890,847</u>	<u>258,719,035</u>	<u>248,737,246</u>	<u>267,315,703</u>
Total OPEB liability - ending	<u>\$ 276,897,514</u>	<u>\$ 273,890,847</u>	<u>\$ 258,719,035</u>	<u>\$ 248,737,246</u>
Covered payroll	\$ 32,477,835	\$ 32,477,835	\$ 34,969,865	\$ 34,284,181
Total OPEB liability as a percentage of covered-payroll	852.57%	843.32%	739.83%	725.52%
Notes to schedule:				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount rate	2.05%	2.02%	4.10%	3.44%
Healthcare trend rate:				
Initial rate	7.00%	7.00%	9.50%	9.25%
Decreasing per year	0.25%	0.25%	0.50%	0.50%
Ultimate rate	4.50%	4.50%	5.00%	5.00%
Ultimate rate year	2032	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, 2021**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years*								
	2021	2020	2019	2018	2017	2016	2015	2014	
Proportion of the net pension liability (asset)	0.114334%	0.112863%	0.113783%	0.114276%	0.114353%	0.118408%	0.119748%	11.974830%	
Proportionate share of the net pension liability (asset)	\$ 113,847	\$ 29,886,658	\$ 8,061,901	\$ 3,688,188	\$ 10,744,827	\$ 19,004,764	\$ 4,045,391	\$ 5,411,259	
Covered payroll	\$ 35,910,885	\$ 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	0.32%	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)	99.95%	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, 2021**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 5,647,420	\$ 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
Contributions in relation to the contractually required contribution	<u>5,647,420</u>	<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>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 35,910,885	\$ 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
Contributions as a percentage of covered payroll	15.73%	14.28%	14.29%	14.30%	14.77%	15.31%	16.59%	19.16%	20.65%	17.11%

* 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
DECEMBER 31, 2021**

	Special Revenue Funds						Permanent Fund		Total Nonmajor Governmental Funds 2021
	Town Outside Village	Special Grants	Street Lighting Districts	Ambulance Districts	Paul J. Fitzpatrick Country Club	Water Districts	Nissequoque River Improvement Permanent Fund	Debt Service	
Cash and Cash equivalents	\$ 3,768,046	\$ 68,289	\$ 523,441	\$ 441,783	\$ 330,277	\$ 2,458,383	\$ -	\$ -	\$ 7,590,219
Cash - restricted	-	7,584	-	-	-	-	308,080	-	315,664
Accounts receivable	12,628	-	-	121,044	25,697	1,229,268	-	-	1,388,637
Due from other funds	951,731	-	2,022,434	1,021,545	299	558,099	-	-	4,554,108
Due from other governments	32,343	123,401	-	-	-	-	-	-	155,744
Prepays	265,227	-	43,007	-	1,390	57,665	-	-	367,289
Total assets	5,029,975	199,274	2,588,882	1,584,372	357,663	4,303,415	308,080	-	14,371,661
LIABILITIES:									
Accounts payable and accrued liabilities	235,634	-	86,965	144,968	25,245	252,132	-	-	744,944
Due to other funds	6,720	160,560	-	-	-	9,025	-	-	176,305
Unearned revenue	844,855	31,130	2,013,705	1,021,545	-	539,255	-	-	4,450,490
Total liabilities	1,087,209	191,690	2,100,670	1,166,513	25,245	800,412	-	-	5,371,739
FUND BALANCES:									
Nonspendable	265,227	-	43,007	-	1,390	57,665	308,080	-	675,369
Restricted	37,556	7,584	-	-	331,028	3,445,338	-	-	3,821,506
Assigned	3,639,983	-	445,205	417,859	-	-	-	-	4,503,047
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balance	3,942,766	7,584	488,212	417,859	332,418	3,503,003	308,080	-	8,999,922
Total liabilities and fund balances (deficits)	\$ 5,029,975	\$ 199,274	\$ 2,588,882	\$ 1,584,372	\$ 357,663	\$ 4,303,415	\$ 308,080	\$ -	\$ 14,371,661

TOWN OF SMITHTOWN, NEW YORK

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Special Revenue Funds						Permanent Fund		Total Nonmajor Governmental Funds 2021
	Town Outside Village	Special Grants	Street Lighting Districts	Ambulance Districts	Paul J. Fitzpatrick Country Club	Water Districts	Nissequogue River Improvement Permanent Fund	Debt Service	
REVENUES:									
Real property taxes	\$ 5,204,031	\$ -	\$ 1,877,859	\$ 1,021,545	\$ -	\$ 242,474	\$ -	\$ -	\$ 8,345,909
Other tax items	90,376	-	30,293	77,452	-	-	-	-	198,121
Departmental income	850,659	-	-	1,004,097	463,092	5,545,799	-	-	7,863,647
Intergovernmental charges	8,714	-	-	-	-	-	-	-	8,714
Use of money and property	5,518	115	417	469	190	3,337	346	-	10,392
Licenses and permits	2,256,964	-	-	-	33,416	-	-	-	2,290,380
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Sale of property and compensation for loss	65,860	-	1,920	-	-	45,900	-	-	113,680
Interfund revenue	-	-	-	-	-	-	-	-	-
State aid	276,660	-	-	-	-	-	-	-	276,660
Federal aid	799	130,107	-	-	-	-	-	-	130,906
Miscellaneous	411	-	-	-	-	5,000	-	-	5,411
Total revenues	8,759,992	130,222	1,910,489	2,103,563	496,698	5,842,510	346	-	19,243,820
EXPENDITURES:									
General governmental support	203,608	-	0	-	-	-	-	70,121	273,729
Public safety	3,234,561	-	-	-	-	-	-	-	3,234,561
Health	-	-	-	2,124,518	-	-	-	-	2,124,518
Transportation	-	-	1,236,934	-	-	-	-	-	1,236,934
Economic opportunity and development	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	482,708	-	-	-	482,708
Home and community services	1,687,675	130,108	-	-	-	4,819,501	-	-	6,637,284
Employee benefits	2,455,243	-	407,265	-	25,130	532,724	-	-	3,420,362
Debt service - principal	247,243	-	261,012	-	18,700	195,823	-	-	722,778
Debt service - interest	52,899	-	60,986	-	9,136	112,384	-	-	235,405
Total expenditures	7,881,229	130,108	1,966,197	2,124,518	535,674	5,660,432	-	70,121	18,368,279
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	878,763	114	(55,708)	(20,955)	(38,976)	182,078	346	(70,121)	875,541
OTHER FINANCING SOURCES (USES):									
Transfers in	1,265	-	-	-	100,000	833,749	-	210,175	1,145,189
Transfers out	(202,410)	-	-	-	-	-	-	-	(202,410)
Proceeds from refunding	-	-	-	-	-	-	-	2,405,000	2,405,000
Payments to escrow for refunding	-	-	-	-	-	-	-	(2,817,214)	(2,817,214)
Premiums on debt issuance	6,090	-	-	-	389	-	-	272,160	278,639
Total other financing sources and uses	(195,055)	-	-	-	100,389	833,749	-	70,121	809,204
CHANGE IN FUND BALANCE	683,708	114	(55,708)	(20,955)	61,413	1,015,827	346	-	1,684,745
FUND BALANCE - beginning of year	3,259,058	7,470	543,920	438,814	271,005	2,487,176	307,734	-	7,315,177
FUND BALANCE - end of year	\$ 3,942,766	\$ 7,584	\$ 488,212	\$ 417,859	\$ 332,418	\$ 3,503,003	\$ 308,080	\$ -	\$ 8,999,922

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

July 29, 2022

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

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 29, 2022.

Report on 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 and significant deficiencies may exist that have not been identified.

1040 Avenue of the Americas, 3rd Floor
New York, NY 10018
p (212) 600-2854

www.bonadio.com

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)

Report on 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.